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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1942 1943

No. 17

JAMES LANIER BELL, PETITIONER,

vs.

PREFERRED LIFE ASSURANCE SOCIETY OF MONT-
GOMERY, ALABAMA, ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT
OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED FEBRUARY 18, 1943.

CERTIORARI GRANTED APRIL 19, 1943.

SUPREME COURT OF THE UNITED STATES

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[fol. 1]

[Caption omitted]

[fol. 2]

**IN THE DISTRICT COURT OF THE UNITED STATES,
MIDDLE DISTRICT OF ALABAMA**

JAMES LANIER BELL, Appellant

VS.

PREFERRED LIFE ASSURANCE SOCIETY of MONTGOMERY, ALABAMA, Joseph E. Justice, Spencer H. Longshore, M. M. Longshore, W. Guy Longshore, J. J. Warren, R. D. Carlton, A. D. Merchant, A. F. Whiting, B. Cosby Bird, and F. M. Phillippi, Appellees

DESIGNATION of RECORD—Filed July 29, 1941

To Messers. Hill, Hill, Whiting & Rives and Peyton D. Bibb, Esq., Attorneys for the Appellees, and to A. F. Whiting, Esq., of Counsel for the Appellees:

You will please take notice that pursuant to Rule 75 (a) of the Rules of Civil Procedure for the District Court of the United States the appellant above named designates the following portions of the record in the above-entitled cause to be used as the Record on Appeal:

- 1. Plaintiff's original Complaint, together with all exhibits.**
- 2. Plaintiff's amended Complaint, together with all exhibits.**
- 3. Answer of defendant Preferred Life Assurance Society to plaintiff's original complaint, with all exhibits.**
- 4. Answer of defendant Preferred Life Assurance Society to plaintiff's amended complaint, with all exhibits.**
- 5. Answer of individual defendants to plaintiff's amended complaint.**
- 6. Interrogatories propounded by plaintiff to defendant Preferred Life Assurance Society.**
- 7. Defendant Preferred Society's answers thereto.**
- 8. Judge Kennamer's Order dismissing complaint.**
- [fol. 3] 9. Judgment entered thereon.**
- 10. Notice of Appeal.**

11. Copy of Appeal Bond.
12. Clerk's Certificate of Record.
13. This Designation.

R. K. Wise, 701 Liberty Life Building, Columbia, S. C.; Wise & Whaley, 701 Liberty Life Building, Columbia, S. C.; R. B. Barnes, 1029 Frank Nelson Building, Birmingham, Alabama; W. H. Brantley, Jr., 1029 Frank Nelson Building, Birmingham, Alabama; Holley, Milner & Holley, Moore Building, Wetumpka, Attorneys for the Appellant.

Ball & Ball, 719 First National Bank Bldg., Montgomery, Alabama.

We hereby acknowledge that a copy of the above Designation was served upon us on the 29 day of July, 1941. Hill, Hill, Whiting & Rives, Richard T. Rives, Attorney for Appellees.

[fol. 4] JAMES LANIER BELL, PLAINTIFF,

vs.

PREFERRED LIFE ASSURANCE SOCIETY of MONTGOMERY, ALABAMA; Joseph E. Justice, W. M. Longshore, B. Cosby Bird, J. J. Warren, F. M. Phillippi, Spencer H. Longshore, and John Doe, Defendants.

COMPLAINT—Filed February 30, 1941

Plaintiff above named, complaining of defendants above named, alleges:

1. Plaintiff is a citizen and resident of the State of South Carolina and defendant Preferred Life Assurance Society of Montgomery, Alabama, is a corporation organized under the fraternal benefit statutes of the State of Alabama and having its principal place of business in Montgomery in the Middle District of Alabama.

2. On information and belief defendants Joseph E. Justice, M. M. Longshore, B. Cosby Bird, J. J. Warren, and F. M. Phillippi, and Spencer H. Longshore are officers, trustees, directors or agents of defendant Preferred Life Assurance Society and as such have custody, control and management of the assets of said Society, and are residents

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of the Middle District of Alabama and each over the age of 21 years.

3. Defendant John Doe represents all the officers, trustees and directors of defendant Preferred Life Assurance Society whose names are unknown to plaintiff, all of whom are, on information and belief, residents of [fol. 5] the Middle District of Alabama.

4. This action is brought to re-organize the insurance department of defendant Preferred Life Assurance Society, and to displace its present officers and directors and trustees, and for damages; the insurance assets of Preferred Life Assurance Society exceed One Million (\$1,000,000.00) Dollars; and the amount in controversy exceeds Three Thousand (\$3,000.00) Dollars, exclusive of interest and costs.

5. Defendants write a form of insurance known as "Contingent Endowment" insurance; by its terms all members of the Society are supposed to be divided into groups, called "divisions" each consisting of twenty-five (25) members of the same entry age; in each division each member is given a position numbered from one (1) to twenty-five (25); when a death occurs in any division the dead member's beneficiary receives the face amount of the dead member's insurance as a death claim, and the living member in good standing who holds the lowest position in the same division collects the face amount of his own insurance as a living claim, and his certificate is forthwith cancelled; by reason of this contingency or collecting the face amount of insurance while still alive and after no fixed period of time, this form of insurance is very popular, and commands premiums much higher than ordinary "whole life" insurance; from the standpoint of the probability of collecting the insurance while still alive, the essence of the contract is that there be at all times twenty-five (25) members in each division, and the Society binds itself to at all times keep and maintain each division at a strength of twenty-five (25) members.

6. Heretofore, on or about the 10th day of November, 1934, an agent of defendants solicited plaintiff to apply for a certificate of contingent endowment insurance issued by Preferred Life Assurance Society; said agent represented

to plaintiff that plaintiff would have the number Five (5) [fol. 6] position in his division; that plaintiff would "collect in two years easy"; that, "we will fill this group before we start another one"; that there would be twenty five (25) members in plaintiff's division; that all of these representations, except as to the position offered plaintiff, were false, and were known to be false when made and were made with a reckless disregard for the truth, but that plaintiff reasonably believed them to be true and relied on them, and had a right to rely on them; that in reliance on said representations, and at the urgent solicitation of defendants' agent, plaintiff applied to Preferred Life Assurance Society for a certificate of contingent endowment insurance; that plaintiff would not have applied for such certificate except for said representations.

7. Upon plaintiff's said application defendants issued to plaintiff, and sent to him through the United States mails, contingent endowment insurance certificate Number 18,497, Class (age) 23, Division F(e), Position, Number 5; plaintiff accepted the same and has paid premiums on the same in the reasonable belief that there were at all times twenty-five (25) members in his said division.

8. Plaintiff first learned in the early part of the year 1940 that there were not twenty-five (25) members in his division, but only ten (10) members, of whom plaintiff is number four (4); that plaintiff's contract of insurance was executed in and is subject to the laws of the State of South Carolina; that under the laws of said State defendants' actions in relation to his said premium amount to a fraudulent misrepresentation, and to a breach of contract, accompanied by a fraudulent act, either or both, that either of said actions by defendants entitles plaintiff, under the laws of the State of South Carolina, to vindictive damages.

9. On information and belief: the defendants have never had a division containing twenty-five members, and have [fol. 7] never had any division containing more than ten or twelve members; that notwithstanding this fact they have continued to solicit business and accept premiums through the United States mails upon the representation that all divisions contained twenty-five members and were continually kept and maintained at twenty-five members.

10. On information and belief: the defendants have opened and "started" numerous divisions since plaintiff was induced to purchase his said insurance certificate, and have made no effort to fill his division before starting another division, nor ever had any intention of so doing.

11. By reason of defendants' breach of their contract with plaintiff he has been greatly damaged in his opportunity to collect on his certificate while he is still alive, in that according to the American Experience Table of Mortality plaintiff's certificate will take many years longer to mature with ten members in his division than if there were twenty-five members.

12. On information and belief: defendants have long since ceased to try to fill plaintiff's division, or any division, but on the contrary have organized another insurance company, known as "First National Insurance Company" or by some similar name, which writes and issues the same form of insurance hereinabove described in competition with defendant Preferred Life Assurance Society, but is enabled to obtain more business by reason of being able to offer lower position numbers; on information and belief all or substantially all the selling staff of Preferred Life Assurance Society have now taken similar positions with said "First National Insurance Company", defendants having abandoned all efforts to fill any division of Preferred Life Assurance Society and having concentrated their forces and abilities on persuading various persons, both members and non-members of Preferred Life Assurance Society, to purchase similar insurance with "First National Insurance Company" upon representations similar [fol. 8] to those made to plaintiff, to the effect that said company will fill and keep filled its divisions, all of which said representations are, as plaintiff believes, entirely false, and, to the extent that such representations persuade members of Preferred Life Assurance Society to cease their membership in said Society in order to purchase insurance with First National Insurance Company and persuade other persons to purchase insurance with First National Insurance Company in preference to becoming members of Preferred Life Assurance Society, such representations constitute a fraud upon plaintiff and all other members of Preferred Life Assurance Society.

13. On information and belief: the defendants Joseph E. Justice, M. M. Longshore, B. Cosby Bird, J. J. Warren, F. M. Phillippi, Spencer H. Longshore and John Doe, the officers, directors, trustees or agents of Preferred Life Assurance Society, operate the same for their own personal benefit, and not for the benefit of the members, in that they receive and obtain large and exorbitant salaries and commissions, such that they have become wealthy, although plaintiff has never received, nor as he is informed, has any member of the Society ever received, one cent in dividends, despite the fraternal nature of the society; and in that as soon as it became difficult to sell membership certificates in the Society they organized or caused to be organized said "First National Insurance Company" in order the more easily to sell this form of insurance; and in that although the Society is chartered as a fraternal order plaintiff, and, as he is informed, the great majority of the Society's members, were not informed of this fact at the time they were solicited to purchase, and did purchase insurance, with the Society, but on the contrary plaintiff was not so informed and did not commence to receive notices of lodge meetings until the year 1939; and in that, by thus not informing plaintiff and the other members of the Society that [fol. 9] they belonged to a fraternal order, defendants deprived them of their right and opportunity to attend lodge meetings and vote on the election of delegates and officers of the Society and deprived them of any control over the actions of such officers, chief among whom are the defendants; and in that defendants have never sent plaintiff a financial statement of the Society; and in that defendants did not require plaintiff, nor, as he is informed, the great majority of applicants for membership in the Society, to undergo any physical or medical examination at the time of the application for insurance, or at any other time, notwithstanding that such physical and medical examination is specifically required of all applicants for membership in fraternal orders by the Statute Law governing the operation of fraternal benefit societies in the States of Alabama and South Carolina, whereby poor physical risks were enabled to become members of Preferred Life Assurance Society, to the prejudice of Plaintiff and all other members in good health.

14. Plaintiff received his certificate through the United States mails, and has received numerous notices of premiums due and has paid numerous premiums through the United States mails, and defendants have accepted many such premiums from plaintiff and other members of the Society after having abandoned efforts to fill the divisions of the Society, without informing the members of such abandonment; that plaintiff is now informed that this entire scheme of insurance is an illegal lottery and constitutes an illegal and unlawful scheme to defraud, and that it is also a wagering contract in that it attempts to give to plaintiff a beneficial interest in the lives of the other members of his division, in whom he has no insurable interest, and as to whom he does not belong to the class of beneficiaries of fraternal benefit insurance policies recognized and permitted by the [fol. 10] Statute Law of the States of Alabama and South Carolina, and this is true for each and every member who participates in the scheme of insurance hereinabove mentioned and described; but that even if such scheme is not a lottery and a wager, defendants have breached their contract with plaintiff and all other members by not filling any of the Society's divisions nor making any effort so to do, and have defrauded plaintiff and the other members of the Society by not informing them of the true facts concerning the operation of the Society and by nevertheless continuing to accept the members' monies without making such disclosure.

15. Plaintiff's certificate is in full force and effect and he is a member in good standing of defendant Preferred Life Assurance Society and vitally interested in having the same properly and economically administered, as to its insurance department, as an ordinary fraternal benefit society, selling only ordinary and standard certificates of insurance; defendants, by reason of the fraud and wrongs which they have perpetrated upon the society and upon plaintiff and the other members of the Society as hereinabove set forth, are not fit, proper or competent persons to be entrusted with the management of the insurance feature of the Society; and plaintiff is entitled to have them displaced as officers, directors, and trustees and replaced by fit, competent and suitable persons, and in the meantime is entitled to have a temporary receiver appointed pending the reorganization of the Society, to immediately take charge of

the insurance department of the Society and preserve the funds of the same for the benefit of plaintiff and the other members of said Society, said funds being a trust fund for the benefit of the members of the Society; and plaintiff is further entitled to a money judgment against the defendant officers, directors and trustees, and each of them in such sum of money as may be found proper and just upon an [fol. 11] accounting being had of said officers, directors and trustees, said judgment being for the benefit of the Society and its members, for the fraudulent and wrongful conduct of said officers, directors and trustees.

16. By reason of defendants' fraudulent misrepresentations to plaintiff, and by reason of their acts of fraud toward him as hereinabove set forth, plaintiff is entitled to have his certificate reformed so as to be an ordinary certificate of "whole life" insurance, and is entitled to actual and punitive damages in the sum of Two Hundred Thousand (\$200,000.00) Dollars.

17. Plaintiff is entitled to relief at the hands of this Court for the reason that any attempt to obtain relief within the Society would be futile.

Wherefore: Plaintiff asks judgment:

1. For damages in the sum of Two Hundred Thousand (\$200,000.00) Dollars.

2. That the defendant officers, directors and trustees be displaced by others who will be fit and suitable and regularly elected by the members of Preferred Life Assurance Society.

3. That in the meantime and pending this suit, a receiver be appointed to take charge of and conserve the assets of the insurance department of said Society, the same being trust assets.

4. For a money judgment against each of said officers, directors and trustees in such sum, or sums, as shall be found to be justly due and owing from each of said officers, directors and trustees to the Society.

5. For such other and further relief as to this Honorable Court may seem just and proper.

[fol. 12] 6. For the costs and disbursements of this action.

Thomas B. Whaley; W. Turner Logan, Jr., Sylvan Bldg., 1205 Hampton St., Columbia, S. C.; R. K. Wise; Wise & Whaley, 701 Liberty Life Bldg., Columbia, S. C.; R. B. Barnes, 1029 Frank Nelson Bldg., Birmingham, Alabama; W. H. Brantley, Jr., 1029 Frank Nelson Bldg., Birmingham, Alabama; Holley, Milner & Holley, Moore Bldg., Wetumpka, Ala.

[fol. 13] *Duly sworn to by Thomas B. Whaley. Jurat omitted in printing.*

[fol. 14] IN UNITED STATES DISTRICT COURT

NOTICE AND INTERROGATORIES—Filed February 11, 1941

To: Preferred Life Assurance Society of Montgomery, Alabama:

You Will Please Take Notice, that plaintiff, pursuant to Rule 33 of the Federal Rules of Civil Procedure, submits the following interrogatories to be answered separately and fully in writing under oath by the president of Preferred Life Assurance Society of Montgomery, Alabama or any officer competent to answer same, which answers shall be signed by the person making them and a copy thereof served on defendant's attorneys within fifteen (15) days after the service aforesaid, and that if answers to interrogatories are not served within the said time, plaintiff will move five (5) days after the expiration of the fifteen-day period before the Honorable Charles B. Kennamer, United States District Judge, at the United States Court House in Montgomery, Alabama, at 11:00 o'clock in the forenoon, or as soon thereafter as counsel can be heard, for an Order to enter judgment by default against the said defendant, Preferred Life Assurance Society of Montgomery, Alabama.

The Interrogatories proposed by plaintiff are:

[fol. 15] Part I—Number of Divisions for \$1000.00 Certificates

1. On what date did Preferred Life Assurance Society receive from the state of Alabama its charter as a fraternal benefit society?

2. How many members did the society have on that date?

3. How many of the said charter members held certificates in the face amount of \$1000.00?

4. How many of the said charter members holding certificates in the face amount of \$1000.00 held Position #1 in their respective divisions?

5. How many of the said charter members for \$1000.00 certificates held positions in their respective divisions other than Position #1?

6. What was the highest position number held by any charter member of Preferred Life Assurance Society, among the holders of \$1000.00 certificates?

7. On the said date on which said Society received from the State of Alabama its charter as a fraternal benefit society, how many divisions of \$1000.00 certificates were set up for each of the following age classes?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

8. For each of the following age classes, in how many \$1000.00 certificate divisions had the No. 1 Position not been sold on said date on which Preferred Life Assurance Society received from the State of Alabama its said charter [fol. 16] as a fraternal benefit society?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.

d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

9. For each of the age classes set out under number 8, *supra*, what is the maximum number of division of \$1000.00 certificates ever existing for the State of Alabama?

10. For each of the age classes as listed in #8 *supra*, how many division of \$1000.00 certificates existed for the State of Alabama on December 31, 1940?

11. On what respective dates did Preferred Life Assurance Society first receive a license to do business in each of the following States?

- | | |
|--------------------|-----------------|
| a. Florida. | d. Louisiana. |
| b. Georgia. | e. Mississippi. |
| c. South Carolina. | f. Tennessee. |

12. On said date on which Preferred Life Assurance Society first received a license to do business in Florida, how many divisions of \$1000.00 certificates were set up for said State of Florida for each of the following age classes?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

13. On said date on which Preferred Life Assurance Society first received a license to do business in Georgia, how [fol. 17] many divisions of \$1000.00 certificates were set up for said State of Georgia for each of the age classes as set out in #12, *supra*.

14. On said date on which Preferred Life Assurance Society first received a license to do business in South Caro-

lina, how many divisions of \$1000.00 certificates were set up for said State of South Carolina for each of the age classes as set out in #12, *supra*.

15. On said date on which Preferred Life Assurance Society first received a license to do business in Louisiana, how many divisions of \$1000.00 certificates were set up for said State of Louisiana for each of the age classes as set out in #12 *supra*.

16. On said date on which Preferred Life Assurance Society first received a license to do business in Mississippi, how many divisions of \$1000.00 certificates were set up for said State of Mississippi for each of the age classes as set out in #12, *supra*.

17. On said date on which Preferred Life Assurance Society first received a license to do business in Tennessee, how many divisions of \$1000.00 certificates were set up for said State of Tennessee for each of the age classes as set out in #12, *supra*.

18. For each of the following age classes, what is the maximum number of divisions of \$1000.00 certificates ever existing for the State of Florida?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

19. For each of the age classes as set out in #18, *supra*, what is the maximum number of divisions of \$1000.00 certificates ever existing for the State of Georgia.

[fol. 18] 20. For each of the age classes as set out in No. 18, *supra*, what is the maximum number of divisions of \$1000.00 certificates ever existing for the State of South Carolina.

21. For each of the age classes as set out in No. 18, *supra*, what is the maximum number of divisions of \$1000.00 certificates ever existing for the State of Louisiana.

22. For each of the age classes as set out in No. 18, *supra*, what is the maximum number of divisions of \$1000.00 certificates ever existing for the State of Mississippi.

23. For each of the age classes as set out in No. 18, *supra*, what is the maximum number of divisions of \$1000.00 certificates ever existing for the State of South Carolina.

24. For each of the following age classes, how many divisions of \$1000.00 certificates existed for the State of Florida on December 31, 1940?

a. 16.	k. 26	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

25. For each of the age classes as set out in No. 24, *supra*, how many divisions of \$1000.00 certificates existed for the State of Georgia on December 31, 1940?

26. For each of the age classes as set out in No. 24, *supra*, how many divisions of \$1000.00 certificates existed for State of Louisiana on December 31, 1940?

27. For each of the age classes as set out in No. 24, *supra*, how many divisions of \$100.00 certificates existed for the State of Louisiana on December 31, 1940?

28. For each of the age classes as set out in No. 24, *Supra*, how many divisions of \$1000.00 certificates existed for the State of Mississippi on December 31, 1940?

[fol. 19] 29. For each of the age classes as set out in No. 24, *supra*, how many divisions of \$1000.00 certificates existed for the State of Tennessee on December 31, 1940?

30. Does Preferred Life Assurance Society issue certificates of any other face value than \$1000.00?

31. If the answer to Interrogatory No. 30 is "Yes," the same information is required for such group of certificates

of the same face value (e. g., for \$500.00 certificates, or for \$100.00 certificates) as is required for the \$1000.00 certificates in Interrogatories Nos. 3 through 29, both inclusive).

[fol. 20] Part II. Number of Members in Divisions

32. For each of the states in which Preferred Life Assurance Society does business, give:

(a) The maximum number of members the Society has ever attained.

(b) The year in which such maximum was attained.

33. For each of the states in which the Society does business, how many members did it have on December 31, 1940?

34. For the State of Alabama, what is the highest Position Number ever sold in any division in each of the following age classes?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

35. For the State of Florida, what is the highest Position Number ever sold in any division in each of the age classes set out in #34, *supra*.

36. For the State of Georgia, what is the highest Position Number ever sold in any division in each of the age classes set out in #34, *supra*.

37. For the State of South Carolina, what is the highest Position Number ever sold in any division in each of the age classes set out in #34, *supra*.

38. For the State of Louisiana, what is the highest Position Number ever sold in any division in each of the age classes set out in #34, *supra*.

39. For the State of Mississippi, what is the highest Position Number ever sold in any division in each of the age classes set out in #34, *supra*.

[fol. 21] 40. For the State of Tennessee, what is the highest Position Number ever sold in any division in each of the age classes set out in #34, *supra*.

41. For the State of Alabama, on December 31, 1940 what was the highest Position Number existing in any division in each of the following age classes?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

42. For the State of Florida, on December 31, 1940 what was the highest Position Number existing in any division in each of the age classes set out in 41 *supra*.

43. For the State of Georgia, on December 31, 1940 what was the highest Position Number existing in any division in each of the age classes set out in 41 *supra*.

44. For the State of South Carolina, on December 31, 1940 what was the highest Position Number existing in any division in each of the age classes set out in 41 *supra*.

45. For the State of Louisiana, on December 31, 1940 what was the highest Position Number existing in any division in each of the age classes set out in 41 *supra*.

46. For the State of Mississippi, on December 31, 1940 what was the highest Position Number existing in any division in each of the age classes set out in 41 *supra*.

47. For the State of Tennessee, on December 31, 1940 what was the highest Position Number existing in any division in each of the age classes set out in 41 *supra*.

48. For the State of Alabama, how many empty divisions [fol. 22] existed in each of the following age classes on December 31, 1934?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

49. For the State of Alabama, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1935.

50. For the State of Alabama, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1936.

51. For the State of Alabama, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1937.

52. For the State of Alabama, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1938.

53. For the State of Alabama, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1939.

54. For the State of Alabama, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1940.

55. For the State of Florida, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1935.

56. For the State of Florida, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1936.

57. For the State of Florida, how many empty divisions [fol. 23] existed in each of the age classes set out in 48 *supra*, as of December 31, 1937.

58. For the State of Florida, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1938.

59. For the State of Florida, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1939.

60. For the State of Florida, how many empty divisions existed in each of the age classes set out in 48 *supra*, as of December 31, 1940.

61. For the State of Georgia, how many empty divisions existed in each of the following age classes as of December 31, 1934?

a. 16.	k. 26.	u. 36.	ee. 46.
b. 17.	l. 27.	v. 37.	ff. 47.
c. 18.	m. 28.	w. 38.	gg. 48.
d. 19.	n. 29.	x. 39.	hh. 49.
e. 20.	o. 30.	y. 40.	ii. 50.
f. 21.	p. 31.	z. 41.	jj. 51.
g. 22.	q. 32.	aa. 42.	kk. 52.
h. 23.	r. 33.	bb. 43.	ll. 53.
i. 24.	s. 34.	cc. 44.	mm. 54.
j. 25.	t. 35.	dd. 45.	nn. 55.

62. For the State of Georgia, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1935.

63. For the State of Georgia, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1936.

64. For the State of Georgia, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1937.

65. For the State of Georgia, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1938.

[fol. 24] 66. For the State of Georgia, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1939.

67. For the State of Georgia, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1940.

68. For the State of South Carolina, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1935.

69. For the State of South Carolina, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1936.

70. For the State of South Carolina, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1937.

71. For the State of South Carolina, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1938.

72. For the State of South Carolina, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1939.

73. For the State of South Carolina, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1940.

74. For the State of Louisiana, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1935.

75. For the State of Louisiana, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1936.

[fol. 25] 76. For the State of Louisiana, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1937.

77. For the State of Louisiana, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1938.

78. For the State of Louisiana, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1939.

79. For the State of Louisiana, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1940.

80. For the State of Mississippi, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1935.

81. For the State of Mississippi, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1936.

82. For the State of Mississippi, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1937.

83. For the State of Mississippi, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1938.

84. For the State of Mississippi, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1939.

85. For the State of Mississippi, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1940.

[fol. 26] 86. For the State of Tennessee, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1935.

87. For the State of Tennessee, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1936.

88. For the State of Tennessee, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1937.

89. For the State of Tennessee, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1938.

90. For the State of Tennessee, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1939.

* 91. For the State of Tennessee, how many empty divisions existed in each of the age classes set out in 61 *supra*, as of December 31, 1940.

92. State whether or not during the years 1933 or 1934 one Arthur Samuel Jones, Peach Orchard Route, Augusta, Georgia, refused a \$1000.00 certificate, Position No. unknown, for the reason that the position offered him was too high.

93. State whether or not other persons have ever refused a certificate for the reason that the position offered was too high.

94. How many persons have refused a certificate for the reason that the position offered was too high?

95. Has the Society ever sold a \$1000.00 certificate Position No. 25?

(If answer is yes—give date of issue of policy, name and address of assured.)

96. Has the Society ever sold a \$1000.00 certificate Position No. 24?

(If answer is yes—give date of issue of policy, name and address of assured).

97. What is the highest position number ever sold by the Society?

(Give date of issue of policy, name and address of assured).

Part III. Number of Field Agents Selling Contingent Endowment Insurance

98. State whether or not the field agents of the Society are termed "organizers"?

99. For the State of Alabama, how many organizers or agents represented the Society on each of the following dates?

- a. Date on which charter received
- b. December 31, 1930.
- c. December 31, 1931.

- d. December 31, 1932.
- e. December 31, 1936.
- f. December 31, 1937.
- g. December 31, 1938.
- h. December 31, 1939.
- i. December 31, 1940.

100. For the State of Florida, how many organizers or agents represented the society on each of the following dates?

- a. Date on which license received.
- b. December 31, 1934.
- c. December 31, 1935.
- d. December 31, 1936.
- e. December 31, 1937.
- f. December 31, 1938.
- g. December 31, 1939.
- h. December 31, 1940.

101. For the State of Georgia, how many organizers or agents represented the Society on each of the following dates?

- a. Date on which license received.
- b. December 31, 1934.
- c. December 31, 1935.
- d. December 31, 1936.
- e. December 31, 1937.
- f. December 31, 1938.
- g. December 31, 1939.
- h. December 31, 1940.

102. For the State of South Carolina, how many organizers or agents represented the Society on each of the following dates?

- a. Date on which license received.
- b. December 31, 1934.
- c. December 31, 1935.
- d. December 31, 1936.
- e. December 31, 1937.
- f. December 31, 1938.
- g. December 31, 1939.
- h. December 31, 1940.

103. For the State of Louisiana, how many organizers or agents represented the Society on each of the following dates?

- a. Date on which license received.
- e. December 31, 1937.
- [fol. 28] b. December 31, 1934.
- c. December 31, 1935.
- d. December 31, 1936.
- f. December 31, 1938.
- g. December 31, 1939.
- h. December 31, 1940.

104. For the State of Mississippi, how many organizers or agents represented the Society on each of the following dates?

- a. Date on which license received.
- b. December 31, 1934.
- c. December 31, 1935.
- d. December 31, 1936.
- e. December 31, 1937.
- f. December 31, 1938.
- g. December 31, 1939.
- h. December 31, 1940.

105. For the State of Tennessee, how many organizers or agents represented the Society on each of the following dates?

- a. Date on which license received.
- b. December 31, 1934.
- c. December 31, 1935.
- d. December 31, 1936.
- e. December 31, 1937.
- f. December 31, 1938.
- g. December 31, 1939.
- h. December 31, 1940.

106. State whether or not W. Guy Longshore was not one of the corporators and one of the original Board of Trustees of Preferred Life Assurance Society.

107. State whether or not the said W. Guy Longshore is not now general agent for a certain fraternal benefit society incorporated under the laws of the State of Georgia, and having its principal office in Atlanta, Georgia, and known

as First National Insurance Company, First National Assurance Society, or some similar name?

108. When did the said W. Guy Longshore resign his office as a member of the Board of Trustees of Preferred Life Assurance Society?

109. When was the said First National Insurance Company chartered by the State of Georgia?

110. Other than the said W. Guy Longshore, for each of the following states how many former organizers or agents of Preferred Life Assurance Society are now organizers or agents for said First National Insurance Company?

- a. Alabama.
- b. Florida.
- c. Georgia.
- d. South Carolina.

111. State whether or not the said First National Insurance Company engages in the business of writing contingent endowment insurance?

Part IV. Officers and Directors

112. State whether or not M. M. Longshore is not the wife of one Spencer H. Longshore.

113. What is the blood relationship between Spencer H. Longshore and W. Guy Longshore?

114. State whether or not the said Spencer H. Longshore is now the General Agent of Preferred Life Assurance Society, holding an overwriting contract with said Society.

115. State whether or not the said Spencer H. Longshore and W. Guy Longshore, either or both, were not prior to the year 1928 agents or organizers for the Liberty National Insurance Company of Birmingham, Ala.?

116. How long was Spencer H. Longshore an agent or organizer for said Liberty National Insurance Company?

117. How long was W. Guy Longshore an agent or organizer for the said Liberty National Insurance Company?

118. State whether or not the said Liberty National Insurance Company, during the year 1928 and for many years

prior thereto, wrote the form of insurance known as contingent endowment insurance and described in Paragraph 5 of the bill of complaint in this action?

119. State whether or not any of the following persons were ever agents or organizers for said Liberty National Insurance Company?

- a. Travis H. Justice.
- b. Joseph E. Justice.
- c. M. M. Longshore.
- d. F. A. Rogers.
- e. Olive Ware.
- f. R. D. Carlton.
- g. Guy I. Badger.
- h. B. Cosby Bird.
- i. J. J. Warren.
- k. F. M. Phillippi.

[fol. 30] 120. State whether or not any of the following persons have ever been connected with any contingent endowment insurance company other than Preferred Life Assurance Society or Liberty National Insurance Co.?

- a. Spencer H. Longshore.
- b. W. Guy Longshore.
- c. M. M. Longshore.
- d. Travis H. Justice.
- e. Joseph E. Justice.
- f. F. A. Rogers.
- g. Olive Ware.
- h. R. D. Carlton.
- i. Guy T. Badger.
- j. B. Cosby Bird.
- k. J. J. Warren.
- l. F. M. Phillippi.

121. If the answer to Interrogatory No. 118 is "Yes", state for each persons so connected the following:

- a. The name of the company.
- b. The location of its principal office.
- c. The nature of the connection.
- d. The length of time the connection continued.
- e. When the connection terminated.
- f. Whether or not such company is still in business.
- g. The date when such company ceased to do business.

122. State whether or not any of the following persons were ever connected with a contingent endowment insurance company doing business in the State of Indiana?

- a. Spencer H. Longshore.
- b. W. Guy Longshore.
- c. M. M. Longshore.
- d. Travis H. Justice.
- e. Joseph E. Justice.
- f. F. A. Rogers.
- g. Olive Ware.
- h. R. D. Carlton.
- i. Guy I. Badger.
- j. B. Cosby Bird.
- k. J. J. Warren.
- l. F. M. Phillippi.

123. If the answer to Interrogatory No. 120 is "Yes", state the following for each person so connected:

- a. The name of the company.
- b. The location of its principal office.
- c. The nature of the connection.
- d. The length of time the connection continued.
- e. When the connection terminated.
- f. Whether or not such company is still in business.
- g. The date when such company ceased to do business.

124. For each person named in Interrogatory Nos. 120 and 122, give the following information:

- a. Names of all insurance companies with which each such person has been connected.
- b. State of charter of each such company.
- c. Location of principal office of each such company.
- d. Whether each such company was stock, mutual, fraternal non-profit, or otherwise.
- e. Nature of business done by each such company.
- f. Position held with each such company.

[fol. 31] g. Date or dates on which connection with each such company commenced.

h. Date or dates on which connection with each such company ended.

i. Whether any of said companies have ceased to do business.

j. Date or dates on which each such company ceased to do business.

k. Whether or not any such company ceased to do business by reason of having to call an assessment on the policyholders.

125. State whether or not Spencer H. Longshore and W. Guy Longshore were organizers of Preferred Life Assurance Society.

126. If the answer to Interrogatory No. 125 is "No", who was or were such organizers?

127. Give the name, home address, and title of each officer of Preferred Life Assurance Society on each of the following dates:

- | | |
|------------------------|-----------------------|
| (a) December 31, 1928. | g. December 31, 1934. |
| b. December 31, 1929. | h. December 31, 1935. |
| c. December 31, 1930. | i. December 31, 1936. |
| d. December 31, 1931. | j. December 31, 1937. |
| e. December 31, 1932. | k. December 31, 1938. |
| f. December 31, 1933. | l. December 31, 1939. |
| | m. December 31, 1940. |

128. Give the name, occupation, employer's name, business address, and home address of each member of the Board of Trustees of Preferred Life Assurance Society on each of the following dates:

- | | |
|------------------------|-----------------------|
| (a) December 31, 1928. | g. December 31, 1934. |
| b. December 31, 1929. | h. December 31, 1935. |
| c. December 31, 1930. | i. December 31, 1936. |
| d. December 31, 1931. | j. December 31, 1937. |
| e. December 31, 1932. | k. December 31, 1938. |
| f. December 31, 1933. | l. December 31, 1939. |
| | m. December 31, 1940. |

129. Give the salary received by the Supreme President of Preferred Life Assurance Society for each of the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |
| d. 1932. | j. 1938. |
| e. 1933. | k. 1939. |
| f. 1934. | l. 1940. |

130. Give the commissions received by said Supreme [fol. 32] President from Preferred Life Assurance Society during each of the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |
| d. 1932. | j. 1938. |
| e. 1933. | k. 1939. |
| f. 1934. | l. 1940. |

131. Give the total income received by said Supreme President from said Preferred Life Assurance Society during each of the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |
| d. 1932. | j. 1938. |
| e. 1933. | k. 1939. |
| f. 1934. | l. 1940. |

132. Give the salary received by Spencer H. Longshore for each of the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |
| d. 1932. | j. 1938. |
| e. 1933. | k. 1939. |
| f. 1934. | l. 1940. |

133. Give the commissions received by said Spencer H. Longshore for each of the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |
| d. 1932. | j. 1938. |
| e. 1933. | k. 1939. |
| f. 1934. | l. 1940. |

134. Give the total income received by said Spencer H. Longshore for each of the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |

d. 1932.

e. 1933.

f. 1934.

j. 1938.

k. 1939.

l. 1940.

135. Give the salary received by W. Guy Longshore for each of the following years:

a. 1929.

b. 1930.

c. 1931.

d. 1932.

e. 1933.

g. 1935.

h. 1936.

i. 1937.

j. 1938.

k. 1939.

l. 1940.

[fol. 33] 136. Give the commissions received by said W. Guy Longshore for each of the following years:

a. 1929.

b. 1930.

c. 1931.

d. 1932.

e. 1933.

f. 1934.

g. 1935.

h. 1936.

i. 1937.

j. 1938.

k. 1939.

l. 1940.

137. Give the total income received by said W. Guy Longshore for each of the following years:

a. 1929.

b. 1930.

c. 1931.

d. 1932.

e. 1933.

f. 1934.

g. 1935.

h. 1936.

i. 1937.

j. 1938.

k. 1939.

l. 1940.

138. Give the salary received by M. M. Longshore for each of the following years:

a. 1929.

b. 1930.

c. 1931.

d. 1932.

e. 1933.

f. 1934.

g. 1935.

h. 1936.

i. 1937.

j. 1938.

k. 1939.

l. 1940.

139. Give the commissions received by said M. M. Longshore for each of the following years:

a. 1929.

b. 1930.

c. 1931.

g. 1935.

h. 1936.

i. 1937.

d. 1932.
e. 1933.
f. 1934.

j. 1938.
k. 1939.
l. 1940.

140. Give the total income received by said M. M. Longshore for each of the following years:

a. 1929.
b. 1930.
c. 1931.
d. 1932.
e. 1933.
f. 1934.

g. 1935.
h. 1936.
i. 1937.
j. 1938.
k. 1939.
l. 1940.

[fol. 34] Part V—*Connection Between Preferred Life and First National Life.*

141. State whether or not the First National Insurance Company, with home office in Atlanta, Georgia, is possessed of a list of the policyholders of Preferred Life Assurance Society.

142. State whether or not the said First National Insurance Company has not sold more than \$500,000 worth of contingent endowment insurance in the State of Alabama.

143. State whether or not a large proportion of such sale in the State of Alabama were not of Position No. 1.

144. State whether or not such sales were enabled to be accomplished by the use of the said list of policyholders of Preferred Life Assurance Society.

145. State whether or not there is a re-insurance agreement between the said First National Insurance Company and Preferred Life Assurance Society.

146. When did said First National Insurance Company receive its charter from the State of Georgia?

147. How many persons hold policies with both First National Insurance Company and Preferred Life Assurance Society?

148. How many of such persons have permitted their policies to lapse with Preferred Life Assurance Society after having received policies with First National Insurance Company?

Part VI—Fraternal Workings of Preferred Life Assurance Society.

149. On August 28, 1928 how many subordinate lodges did Preferred Life Assurance Society have in the State of Alabama?

150. Where was each such lodge located?

151. How many officers did each such subordinate lodge have on said August 28, 1928?

152. Give the location of each subordinate lodge of Preferred Life Assurance Society in the State of Alabama on [fol. 35] each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

153. Give the name, address, and title of each local officer of each subordinate lodge in the State of Alabama, and also whether any such local officers were agents ("organizers") of Preferred Life Assurance Society, specifying such as were agents ("organizers.") for each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

154. Give the location of each subordinate lodge of Preferred Life Assurance Society in the State of Florida on each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

155. Give the location of each subordinate lodge of Preferred Life Assurance Society in the State of Georgia on each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

156. Give the location of each subordinate lodge of Preferred Life Assurance Society in the State of South Carolina on each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

157. Give the name, address, and title of each local officer of each subordinate lodge in the State of Florida, and also whether any such local officers were agents ("organizers") [fol. 36] of Preferred Life Assurance Society, specifying such as were agents ("organizers"), for each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

158. Give the name, address, and title of each local officer of each subordinate lodge in the State of Georgia, and also whether any such local officers were agents ("organizers") of Preferred Life Assurance Society, specifying such as were agents ("organizers"), for each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

159. Give the name, address, and title of each local officer of each subordinate lodge in the State of South Carolina, and also whether any such local officers were agents ("organizers") of Preferred Life Assurance Society, specifying such as were agents ("organizers"), for each of the following dates:

- | | |
|----------------------|----------------------|
| a. December 31, 1934 | e. December 31, 1938 |
| b. December 31, 1935 | f. December 31, 1939 |
| c. December 31, 1936 | g. December 31, 1940 |
| d. December 31, 1937 | |

160. In the State of Alabama, how was the membership at large notified of impending lodge meetings during each of the following years:

- | | |
|---------|---------|
| a. 1933 | e. 1937 |
| b. 1934 | f. 1938 |
| c. 1935 | g. 1939 |
| d. 1936 | h. 1940 |

161. In the State of Florida, how was the membership at large notified of impending lodge meetings during each of the following years:

- | | |
|---------|---------|
| a. 1933 | e. 1937 |
| b. 1934 | f. 1938 |
| c. 1935 | g. 1939 |
| d. 1936 | h. 1940 |

162. In the State of Georgia, how was the membership at large notified of impending lodge meetings during each [fol. 37] of the following years:

- | | |
|---------|---------|
| a. 1933 | e. 1937 |
| b. 1934 | f. 1938 |
| c. 1935 | g. 1939 |
| d. 1936 | h. 1940 |

163. In the State of South Carolina, how was the membership at large notified of impending lodge meetings during each of the following years:

- | | |
|---------|---------|
| a. 1933 | e. 1937 |
| b. 1934 | f. 1938 |
| c. 1935 | g. 1939 |
| d. 1936 | h. 1940 |

164. State whether or not the following is a correct outline of the method pursued by Preferred Life Assurance Society in adding members to local lodge rosters:

A prospective member is solicited by an organizer; makes application for a certificate; his application is favorably acted on by the Home Office; the Home Office sends him his certificate. He is thereafter without initiation or otherwise, and until default, carried as a member of the society.

165. How many of the Society's members in each of the following States have been actually elected to membership

by their respective subordinate lodges, prior to the time they received certificates of insurance:

- | | |
|-------------|--------------------|
| a. Alabama. | c. Georgia. |
| b. Florida. | d. South Carolina. |

166. How many of the Society's members have actually presented themselves for initiation at their respective subordinate lodges and been duly initiated at a regular lodge meeting, in each of the following States:

- | | |
|-------------|--------------------|
| a. Alabama. | c. Georgia. |
| b. Florida. | d. South Carolina. |

167. State whether or not a large proportion of the Society's membership is deemed to be "initiated at sight" without the necessity of formal initiation or attendance at [fol. 38] a regular meeting of the subordinate lodge.

168. If the answer to Interrogatory No. 167 is "Yes", state what is the procedure for "initiation at sight".

169. If the answer to Interrogatory No. 167 is "No", state whether or not initiation is required as a prerequisite before a certificate is delivered.

170. Give the date of each meeting of the Supreme Lodge of the Society.

171. For each such date, give the total membership of the Society in each of the following States:

- | | |
|-------------|--------------------|
| a. Alabama. | c. Georgia. |
| b. Florida. | d. South Carolina. |

172. For each such date, give the total membership of the Society.

173. At the Supreme Lodge meeting of the Society held in 1932, how many persons attended?

174. How many such persons were delegates and how many home office representatives (i. e., directors or officers)?

175. For each subordinate lodge of the Society in existence in 1932, state the number of delegates who attended the Supreme Lodge meeting held in that year.

176. Give the name and address of each delegate to the Supreme Lodge meeting of 1932 who was:

- a. Recorder of his local lodge.
- b. An agent or organizer of the Society, with his title.

177. At the Supreme Lodge meeting of the Society held in 1936, how many persons attended?

178. How many such persons were delegates and how many home office representatives (i. e., directors or officers)?

179. For each subordinate lodge of the Society in existence in 1936, state the number of delegates who attended the Supreme Lodge meeting held in that year.

[fol. 39] 180. Give the name and address of each delegate to the Supreme Lodge meeting of 1936 who was:

- a. Recorder of his local lodge.
- b. An agent or organizer of the Society, with his title.

181. At the Supreme Lodge meeting of the Society held in 1940, how many persons attended?

182. How many such persons were delegates and how many home office representatives (i. e., directors or officers)?

183. For each subordinate lodge of the Society in existence in 1940, state the number of delegates who attended the Supreme Lodge meeting held in that year.

184. Give the name and address of each delegate to the Supreme Lodge meeting of 1940 who was:

- a. Recorder of his local lodge.
- b. An agent or organizer of the Society, with his title.

185. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1934:

- a. Numbers of members.
- b. Number attending each monthly lodge meeting.

186. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1935:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

187. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1936:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

188. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1937:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

[fol. 40] 189. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1938:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

190. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1939:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

191. From the records of the Society, give the following information relative to each local lodge in the State of Alabama for the year 1940:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

192. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1934:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

193. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1935:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

194. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1936:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

195. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1937:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

[fol. 41] 196. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1938:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

197. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1939:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

198. From the records of the Society, give the following information relative to each local lodge in the State of Georgia for the year 1940:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

199. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1934:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

200. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1935:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

201. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1936:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

202. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1937:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

[fol. 42] 203. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1938:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

204. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1939:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

205. From the records of the Society, give the following information relative to each local lodge in the State of South Carolina for the year 1940:

- a. Number of members.
- b. Number attending each monthly lodge meeting.

206. State whether or not in each of the following States, it is the custom for the Society to issue any non-medical certificates—i. e., certificates without requiring a physical examination as a prerequisite to issuance of such certificates.

- a. Alabama.
- b. Georgia.
- c. South Carolina.

207. If such non-medical certificates are issued in any State, give the source of the authority giving the Society permission to write such certificates.

208. State whether or not the Preferred Life Assurance Society was organized for the purpose of making a profit for its organizers.

209. Has any member of Preferred Life Assurance Society ever received a dividend other than organizers, directors, or trustees?

210. Give total income from premiums and other investments of Preferred Life Assurance Society for the following years:

- | | |
|----------|----------|
| a. 1929. | g. 1935. |
| b. 1930. | h. 1936. |
| c. 1931. | i. 1937. |
| d. 1932. | j. 1938. |
| e. 1933. | k. 1939. |
| f. 1934. | l. 1940. |

[fol. 43] 211. State the amount of money paid on death and contingent endowment claims for the following years:

- | | | |
|---------|---------|---------|
| a. 1928 | f. 1933 | k. 1938 |
| b. 1929 | g. 1934 | l. 1939 |
| c. 1930 | h. 1935 | m. 1940 |
| d. 1931 | i. 1936 | |
| e. 1932 | j. 1937 | |

R. K. Wise; Wise & Whaley, 701 Liberty Life Bldg., Columbia, S. C.; R. B. Barnes, 1029 Frank Nelson Bldg., Birmingham, Alabama; W. H. Brantley, Jr., 1029 Frank Nelson Bldg., Birmingham, Alabama; Holley, Milner & Holley, Moore Bldg., Wetumpka, Ala.

[fol. 44] IN UNITED STATES DISTRICT COURT

ANSWER—Filed Feb. 13, 1941

Comes the defendant, Preferred Life Assurance Society, and for answer to the complaint in the above case says:

First Defense

The complaint fails to state a claim against this defendant upon which relief can be granted.

Second Defense

The Court lacks jurisdiction because the amount actually in controversy is less than \$3,000.00 exclusive of interest and costs.

Third Defense

The plaintiff, after full knowledge of the facts, has ratified and approved his contract with this defendant, and is barred of any relief by laches for that this defendant says: That on, to-wit, November 2, 1934 the plaintiff applied for membership in the defendant society and for a certificate of contingent endowment insurance, and upon said application, the defendant issued and delivered to plaintiff a contingent endowment insurance certificate designating the plaintiff's position as No. 5; that the plaintiff then knew that there were only four other members in said division; that this defendant has repeatedly informed the plaintiff in writing of the position which he held in said division, and of the number of members in his said division. Specifically this defendant informed the plaintiff in writing on, to-wit, January 10th, 1936 in accordance with a copy of a letter of said date hereto attached, marked Exhibit "D" and made a part hereof; that this defendant further informed the plaintiff in writing on, to-wit, April 4th, 1938 in accordance with a letter of said date, a copy of which is hereto [fol. 45] attached, marked Exhibit "E" and made a part hereof, and that this defendant informed the plaintiff in writing on, to-wit, January 31st 1940, in accordance with a letter, a copy of which is hereto attached, marked Exhibit "F" and made a part hereof. This defendant avers that the plaintiff has continuously from the time the plaintiff accepted said certificate of contingent endowment insurance until the present time, known that there were not 25 members in his said division, and that the matters and things which he claims were misrepresented to him were not in fact true, but nevertheless the said plaintiff has continued to pay his dues and premiums, and to carry out said contract, and has made no complaint to the defendant society until the filing of the summons and complaint in this cause. Wherefore, this defendant says that the plaintiff, with full knowledge of all of the facts, has ratified and approved his contract with the defendant and further is barred of any relief on account of laches.

Fourth Defense

The plaintiff's claim for relief by reason of defendant's alleged fraudulent misrepresentations to plaintiff is barred by the Alabama statute of limitations of one year.

[fol. 46]

Fifth Defense

Comes the defendant, Preferred Life Assurance Society, and for answer to the complaint in the above case says:

1. It admits the allegations contained in Paragraph 1 of said complaint.

2. It admits that Joseph E. Justice, J. J. Warren, and Spencer H. Longshore are trustees of the defendant, Preferred Life Assurance Society, and avers that there are other such trustees, viz: A. F. Whiting, R. D. Carlton, A. D. Merchant and W. G. Longshore, and it admits and avers that such trustees have the custody, control and management of the assets of said Society, and that each of them is over the age of 21 years, and that all of said trustees are residents of the Middle District of Alabama except A. D. Merchant who resides in Baton Rouge, Louisiana, and except W. G. Longshore who resides in Atlanta, Georgia. It denies that M. M. Longshore and F. M. Phillippi are officers, trustees, directors or agents of the defendant, Preferred Life Assurance Society, and avers that the said M. M. Longshore and F. M. Phillippi are not now connected with or employed by said defendant in any capacity. It denies that B. Crosby Bird is an officer, trustee, director or agent of the said defendant, but avers that the said B. Crosby Bird is the Medical Director of said defendant, and except for passing upon the health and physical risks of applicants for membership the said B. Crosby Bird has no voice in the management of the affairs of said Society.

3. A correct list of the trustees of the defendant with the places of their residences has been given in Paragraph #2 of this answer.

4. It denies that the bona fide purpose of this action is to reorganize the insurance department of the defendant, Preferred Life Assurance Society, but it admits that the plaintiff asks judgment as shown in the plaintiff's complaint in this cause. It admits that the insurance assets of the Preferred Life Assurance Society exceed one million dollars. It denies that the amount in controversy, exclusive of interest and costs, exceeds \$3,000.00, but avers that the only financial interest or claim which the plaintiff has against this defendant, or against either of the other defendants is [fol. 47] represented by his contingent endowment insur-

ance certificate #18497, Class (Age) 23, Division F (C), Position #4, upon which the plaintiff has paid to this defendant an aggregate total amount in dues of the sum of only \$202.35, and which said certificate if presently payable would be payable in the amount of only \$1,000.00, and that in no event would this plaintiff be entitled from this defendant to a greater sum than said \$1,000.00. It avers that the damages stated in the complaint are colorable, and are beyond the amount of any reasonable expectation of recovery, and that under the facts of the case the plaintiff has no reasonable expectation of recovering from this defendant an amount as great as \$3,000.00 exclusive of interest and costs. It avers that the claim for the amount of recovery as made in the complaint is made for the purpose of bringing this action within the jurisdiction of this Court, and that as a matter of fact the claim of the plaintiff in this cause does not really and substantially involve a controversy properly within the jurisdiction of this court.

5. It admits that this defendant writes a form of insurance known as contingent endowment insurance; that the certificates issued by this defendant for contingent endowment insurance are in the uniform amount of \$1,000.00, and no such certificates are issued for more or less than that amount; that the form of certificate for contingent endowment insurance issued by this defendant at the time that the plaintiff became a member of this defendant society is shown by a sample copy of such certificate attached to this answer and marked Exhibit "A"; that the form of contingent endowment certificate now issued by this defendant society and which has been the form in use for the past several years is shown by a sample copy of such form of certificate attached to this answer and marked Exhibit "B"; that for the purposes of contingent endowment fund distribution all certificates which participate therein are grouped in classes according to age as shown at the time the certificate is issued, and in each class there are 25 divisions or more as authorized and limited by an Act of the Legislature of Alabama approved July 30th, 1931, and [fol. 48] each division may contain no more than 25 members. The certificate holders of each division are numbered from 1 to 25 inclusive. Member No. 1 is the certificate holder who has been in his division the longest period of time. When a death occurs in any division the dead mem-

ber's beneficiary receives the face amount of the dead member's insurance as a death claim, and the living member in good standing who holds the lowest position in the same division collects the face amount of his own insurance as a living claim, and his certificate is forthwith cancelled. By reason of the fact that upon the death of any member holding a certificate in the face amount of \$1,000.00 there is paid by the defendant society the said amount of \$1,000.00 and an additional amount of \$1,000.00 as a living benefit to the living member in good standing who holds the lowest position in the same division, that is, the total sum of \$2,000.00 is paid by the defendant society upon the death of any member, the premiums charged are necessarily higher than the premium for an ordinary \$1,000.00 certificate. The amounts of said premiums are arrived at on a scientific actuarial basis, and are fair and reasonable. The amounts of said premiums are required by the Superintendent of Insurance of the State of Alabama to be actuarially adequate, and the amounts of premiums charged by defendant society have in each instance been approved by the Superintendent of Insurance of the State of Alabama, and are in line with premiums required by reputable life insurance companies throughout the United States. It denies that the essence of the contract is that there be at all times 25 members in each division, and it denies that the Society binds itself at all times to keep and maintain each division at a strength of 25 members. It avers that the plaintiff could in no event have been No. 5 at the time he became a member of the defendant society if such averments were true. It avers that the plan of insurance is for a certain number of divisions, and in each division there may be not more than 25 members, but it is not contemplated, and in fact is impossible to keep and maintain 25 members at all times in each division.

6. This defendant admits that on November 2, 1934 the [fol. 49] plaintiff applied for membership in the defendant society and for a certificate of contingent endowment insurance issued by this defendant society, and the defendant attaches to this answer a photostatic copy of the plaintiff's said application and marks the same Exhibit "C" and makes the same a part of this answer. This defendant denies emphatically those portions of Paragraph 6 of the complaint alleging that its agent made the representations

made by plaintiff to have been made and claimed to be untrue. It avers that no agent had any authority to make any such representations, and that the terms of the application of the plaintiff for membership in this defendant society, and for certificate of contingent endowment insurance are plainly set forth in the written application, and that no agent has any authority to vary the terms of said application. It denies that plaintiff believed any such representations or relied upon any such representations.

7. It admits that upon the plaintiff's application the defendant issued and delivered to the plaintiff contingent endowment insurance certificate #18497 Class (Age) 23, Division F (C), Position #5. It admits that the plaintiff accepted the same and has paid the premiums or dues on the same in the aggregate amount of \$202.35. It denies that the plaintiff accepted said certificate in the reasonable belief that there were 25 members in his said division, and it avers that plaintiff knew at the time the position given him was No. 5, and that there were only four other members in the said division. It denies that the plaintiff has paid premiums on said certificate in the reasonable belief that there were at all times 25 members in his said division, and it avers and alleges that this defendant has repeatedly informed the plaintiff in writing of the position which he held in said division and of the number of members in his said division, and it avers that this defendant was ready and willing at all times to give to this plaintiff this information and any other legitimate information with regard to his class and divisions. It specifically avers that letters were mailed by this defendant to this plaintiff at the address to which his notices or premiums or dues were mailed, and which letters were never returned to this defendant and [fol. 50] were therefore received by said plaintiff; that a copy of a letter mailed by this defendant to said plaintiff on, to-wit, January 10th, 1936 is hereto attached, marked Exhibit "D" and made a part hereof; that a copy of a letter so mailed by this defendant to said plaintiff on, to-wit, April 4th, 1938 is hereto attached, marked Exhibit "E" and made a part hereof; that a copy of a letter so mailed by this defendant to said plaintiff on, to-wit, January 31st, 1940 is hereto attached, marked Exhibit "F" and made a part hereof. It avers that continuously from the time plaintiff accepted said certificate and until the present time

the plaintiff has known that there were not 25 members in his said division.

8. It denies that the plaintiff first learned in the early part of the year 1940 that there were not 25 members in his division but only 10 members of whom the plaintiff is No. 4, and it avers in fact as hereinbefore alleged in more detail in the seventh paragraph of this answer, that the plaintiff has at all times since the acceptance of his certificate known that there were not 25 members in his division, and that such information has been repeatedly given to the plaintiff by this defendant. It admits that the plaintiff was in the State of South Carolina when he made application for membership in the defendant society, and for a certificate of contingent endowment insurance, but it avers that the defendant society is incorporated under the laws of the State of Alabama and issued said certificate of contingent endowment insurance in the City of Montgomery, Alabama. It neither admits nor denies the conclusion that the plaintiff's contract of insurance is subject to the laws of the State of South Carolina. It emphatically denies that under the laws of said State, or under any other laws the defendant's actions have amounted to a fraudulent misrepresentation or to a breach of contract accompanied by a fraudulent act, either or both, and it emphatically denies that any action by defendant entitles the plaintiff under the laws of the State of South Carolina or any other laws to any damages either actual or vindictive.

9. This defendant admits that it has never had a division [fol. 51] containing 25 members, and that none of its divisions have ever contained more than ten or twelve members, but this defendant avers that it has made every reasonable effort to secure as many members as possible up to 25 members in each of its divisions, and that it is to this defendant's financial interest to secure as many members as possible in each division. This defendant emphatically denies that it has ever solicited business or accepted premiums through its agents, through the United States mails or in any other way upon the representations that all divisions contain 25 members, or upon any representation that all divisions were continually kept and maintained at 25 members.

10. This defendant denies that it has opened or started any division since the issuance to plaintiff of his insurance

certificate. It avers in fact that on, to-wit, July 30th, 1931 an Act of the Legislature of Alabama became a law (General Acts of Alabama of 1931, page 819) under which it was provided that benefit societies, including this defendant "shall not hereafter establish its policyholders or members into divisions or classes other than the divisions or classes actually containing subsisting policies or certificates when this Act shall become a law", and it avers that since July 30th, 1931, long before the plaintiff became a member of the defendant society, this defendant has not established its policyholders or members into new divisions or classes. It denies that this defendant has made no effort to fill the plaintiff's division and never had any intention of so doing, and it avers and alleges that it has continuously and actively sought to fill the plaintiff's division and all other divisions both before and since the plaintiff became a member of the defendant society, and has sought actively and aggressively to procure as many members in each division as it possibly could; that this defendant has had an increase in business in force and in the number of its members every year since the plaintiff has been a member of this defendant society; that for each of the years in which and since the plaintiff became a member of the defendant society, the defendant has procured new members, which new members have been added to existing divisions; that the amount of insurance issued by the defendant in each of said years is as follows: [fol. 52] lows:

Year	Amount
1934	\$3,551,550.00
1935	3,688,500.00
1936	3,232,250.00
1937	3,072,300.00
1938	2,724,050.00
1939	3,424,500.00
1940	3,724,000.00

That in excess of ninety percent. of such above total amount of insurance issued by the defendant society in each of said years was contingent endowment insurance; that this defendant now has employed more agents soliciting memberships and applications for certificates of contingent endowment insurance than at any time in the history of this society, and this defendant is now most actively and ag-

gressively seeking to procure as many members in each division as possible.

11. It admits that in the nature of things on an average a member in a division holding position No. 5 would be moved up to position No. 1, and thereafter his certificate would mature in a shorter period of time if there were 25 members in a division than if there were 10 members in the division, but this defendant denies that it has breached its contract with the plaintiff, and it denies that the plaintiff has been damaged by any act or omission on the part of this defendant.

12. This defendant, as hereinbefore averred, has not ceased to try to fill every division, but on the contrary is actively and aggressively endeavoring to fill every division, and in the year 1940 this defendant issued contracts of contingent endowment insurance for a larger amount than in the year 1934, in which year the plaintiff became a member of the defendant society; that this defendant did not organize the First National Insurance Company, or any other insurance company, but this defendant did enter into a contract under which it reinsured members for the First National Life Assurance Society of Atlanta, Georgia, which contract is the same as the contract of reinsurance which this defendant society has with the Lincoln National Life Insurance Company; that as the result of said reinsurance contract with First National Life Assurance Society this defendant has received a net benefit as shown by the list of [fol. 53] premiums received and claims paid as follows, to-wit:

Year	Premiums Received	Claims Paid
1936	\$ 817.75	\$ 2,000
1937	10,199.79	3,000
1938	15,746.56	7,400
1939	11,675.96	5,111
1940	6,412.44	9,302
	<hr/> \$44,852.50	<hr/> \$26,813

That from the premiums received for such reinsurance there are no commissions payable but that the entire amount of said premiums is for the benefit of this defendant and its members. This defendant denies that all or substantially all, or in fact any material numbers of the selling staff of

this defendant society have taken similar positions with the First National Insurance Company (correct Name First National Life Assurance Society); that no agents or members of the selling staff of Preferred Life Assurance Society have ever left this defendant society to go with said First National Company except agents who were considerably in debt to the Preferred Life Assurance Society, or agents who were greatly discouraged and were being approached by other companies selling the same type of certificate to act as representatives of such companies, and who would in any event have left the employment of the Preferred Life Assurance Society; that since the Preferred Life Assurance Society had a reinsurance agreement with said First National Society, such representatives were encouraged to go with said First National Society rather than with a company with which the Preferred Life Assurance Society did not have a reinsurance agreement; that at the present time to the best of this defendant's knowledge there are only two agents on the selling staff of the First National Life Assurance Society who formerly represented the Preferred Life Assurance Society; that the Preferred Life Assurance Society now has a large number of agents soliciting members for the issuance of contracts of contingent endowment insurance in the State of Georgia in which said First National Company has its Home Office, and that this defendant society in the year 1940 wrote approximately the [fol. 54] same amount of contingent endowment insurance in said State of Georgia as it did in the State of South Carolina in which latter State the said First National Society does not do business; that at the present time the total number of agents on the selling staff of the Preferred Life Assurance Society soliciting for contracts of contingent endowment insurance is larger than it has ever been in the history of this defendant society. This defendant further avers that it has mailed statements disclosing its financial condition to the plaintiff and every other member at least once each year, and that reports from Dunne & Co., a recognized company reporting on the financial condition of insurance companies, have been mailed to the plaintiff and to other members who pay on a monthly basis, as the plaintiff does, several times during each year along with the receipts and notices, and that if the plaintiff received receipts for his dues he received with such receipts such financial statements and reports from Dunne & Company.

This defendant denies each and every other allegation contained in Paragraph 12 of the complaint.

13. Defendant denies the allegations of Paragraph 13 of the complaint and avers that the compensation of the officers of the Society are reasonable and have been approved by the Insurance Department of the State of Alabama; that no compensation is paid to trustees and directors as such, and that the officers are paid stated salaries with the exception of General Manager whose compensation is on a commission basis established by contract with the Society when it was in its infancy, and whose compensation for years was small and incommensurate with the time devoted and efforts made for the advancement of the society; it avers that under the laws of its organization it is not required that the members shall be paid dividends; that under the careful and economical conduct of the affairs of this defendant it has accumulated a substantial surplus, same being as shown by the examiners from the Insurance Departments of Alabama and Mississippi as of December 31, 1939 in the sum of \$261,134.73; that following said report this defendant voluntarily gave without charge to its members paid-up and extended insurance as a part of their [fol. 55] certificates; that this was approved by the Insurance Department of the State of Alabama. This defendant avers that plaintiff and all other members of the Society are sent financial statements annually and often, as hereinbefore alleged, more frequently. It avers that it has never sought to conceal that it was a fraternal benefit society but rather to feature that fact, and its agents have been fully advised and instructed accordingly; that the certificate issued by this defendant specifically states in bold letters that it is a fraternal benefit society, that the application for membership signed by the applicant provides that the applicant shall present himself to the Lodge for initiation and for all ritualistic obligations of the Society. It avers that a special meeting of the Grand Lodge of the Society was held in the City of Montgomery on the 15th day of January, 1940, and that all certificate holders of the Society in South Carolina, as well as in other States, were fully notified and advised clearly as to the method for electing representatives to said Grand Lodge; that a copy of such notice is hereto attached, marked Exhibit "G" and made a part hereof; that meetings were held and repre-

representatives elected who did attend said Grand Lodge meeting; that the election of said delegates and the proceedings of the Grand Lodge were in strict conformity with the Insurance laws of the State of Alabama, and in accordance with the Constitution and By-laws of this Society, and were examined and approved by examiners appointed by the Insurance Department of the States of Alabama and Mississippi; that at said Grand Lodge meeting the salary of the President was reduced, and the contract with the General Manager was modified, and other economies were provided for; that there was also provided at said meeting the additional benefits to members of extended and paid-up insurance. It denies that medical examinations are required by the laws of the State of Alabama of applicants for membership in fraternal orders, and neither admits nor denies whether such medical examinations are required by the laws of the State of South Carolina. It admits that in many instances it has accepted members without requiring such members to undergo a physical or medical examination [fol. 56] if such members comply with the age limit prescribed in the defendant society's Constitution and By-Laws. It denies that it has accepted poor physical risks in South Carolina or elsewhere. It avers that in addition to the sworn answers of the applicant and the recommendation of the defendant's agent, the defendant receives through an independent investigating agency an exhaustive report effecting the health and habits of the applicant, and with relation to any matters effecting his insurable risk, and that such procedure has proven to be as satisfactory and effective as medical examination. It avers that women applicants above the age of forty, and men applicants above the age of forty-five are always required, regardless of the amount of insurance applied for, to undergo a physical and medical examination, and that all applicants, regardless of age, applying for more than \$1,000.00 insurance, are required to undergo a physical or medical examination. It avers that the soundness of the practice of the defendant society in accepting physical risks is demonstrated by the ratio of actual death experienced to expected mortality according to the American Experience Table of Mortality as listed below:

1935
1936

39.97%
42.03%

1937	35.46%
1938	30.56%
1939	29.32%
Five year average	35.47%

That the percentage of deaths among the members of this defendant society has, during the five years hereinabove listed, been greatly less than the percentage of deaths that would be anticipated according to the American Experience Table of Mortality, and has been in the percentage of such expected mortalities as hereinabove stated; that such experience demonstrates that this defendant has not accepted poor physical risks for membership.

14. It admits plaintiff received certificate premium notices, etc. through the United States mail, but it emphatically denies having lessened, much less abandoned, its efforts to fill the divisions of the Society. It denies that the contingent [fol. 57] endowment certificate of insurance is a lottery or is fraudulent in any manner, or that it is a wagering contract further than in the sense that all insurance might be said to some extent and in some ways to contain an element of chance. This objection to this form of policy was raised before a Three Judge Federal Court in Oklahoma—*Liberty National Life Insurance Company v. Reed*, 24 Fed. Sup. page 103—where it was duly considered and this form of insurance upheld by said Court. This form of policy has been specifically accepted and legalized by Legislative action in Alabama, and by statutory action in Georgia, South Carolina, Louisiana and Mississippi as well. The defendant denies each and every other averment contained in Paragraph 14 of the complaint.

15. This defendant admits that the plaintiff's certificate is in full force and effect, and he is a member in good standing of the defendant, Preferred Life Assurance Society, and has the same interest in the proper administration of said Society as every other member thereof. This defendant denies each and every other averment in Paragraph 15 of the complaint.

As further answer to the unfounded and unwarranted allegations of Paragraph 15 of the plaintiff's complaint, this

defendant lists its growth in assets and surplus from year to year as follows:

Year	Assets	Surplus
1929	\$ 2,410.25	\$ 1,268.04
1930	26,823.76	9,412.59
1931	60,160.51	16,999.84
1932	94,304.58	33,166.84
1933	171,267.16	44,411.66
1934	309,644.82	94,711.52
1935	442,985.68	147,388.92
1936	566,953.81	171,876.47
1937	705,925.79	192,417.54
1938	901,411.92	250,180.58
1939	1,062,503.28	267,896.29

This defendant avers that this continuous healthy growth [fol. 58] of this Society, even during the years of depression, was not a matter of accident but was the result of honest and intelligent work of its officers and agents.

16. It denies any fraud or misrepresentations on its part, and denies any fraudulent misrepresentation to plaintiff. It avers that by the terms of his certificate of insurance, a copy of which has been hereto attached and marked Exhibit "A", the plaintiff has the following privilege of changing to other forms of certificate: "At any time before default in payment of dues the assured may, by filing a written request, exchange this certificate for a certificate upon any plan of protection then issued by the Society for the same face amount as this certificate." It avers that this defendant society issues ordinary life, 20 payment life and forms of endowment certificate, but it avers that the plaintiff has never made any request to exchange his certificate for a certificate upon any other plan. It avers in fact that the plaintiff has never registered any complaint with the defendant society, and that the first evidence of any dissatisfaction on the plaintiff's part furnished to the defendant society was the serving of the summons and complaint in this cause upon the defendant society. This defendant denies that the plaintiff is entitled to either actual or punitive damages in any sum, or to any relief in this action.

Except as hereinbefore expressly admitted, this defendant denies each and every allegation contained in the complaint.

Now having fully answered, this defendant prays that it may be hence dismissed with its costs in this behalf reasonably expended.

Hill, Hill, Whiting & Rives, Peyton Bibb, Attorneys
for Defendant, Preferred Life Assurance Society.

[fol. 59] *Duly sworn to by J. J. Warren. Jurat omitted in printing.*

EXHIBIT "A" to ANSWER

NUMBER _____

AGE _____

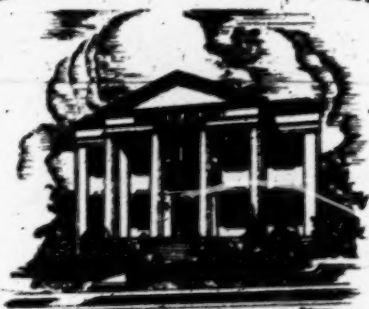
AMOUNT \$1,000.00

CLASS _____

DIVISION _____

Preferred Life Assurance Society

**A
Fraternal**



**Beneficial
Society**

OF MONTGOMERY, ALABAMA
WILL PAY

to _____, the Assured
(herein referred to as the Assured, a beneficial member of this Society)

ONE THOUSAND DOLLARS

(the Face of This Certificate)

Upon the maturity of this Certificate as a Contingent Endowment which shall occur when this Certificate becomes the oldest Certificate in force in the class and division of members of corresponding entry age grouped with the Assured at the time of becoming members and the Society experiences a mortality loss among its other members under a Certificate in force in the same class and division as this Certificate, or upon the maturity of this Certificate as an Old-age Endowment which shall occur on the day the Assured attains the age of seventy years.

For the purpose of Contingent Endowment Fund all certificates which participate therein are grouped in divisions of 25 according to the age of the insured at which the certificate is issued. The certificate holders of each division are numbered from one to twenty-five, inclusive. Number one shall be the certificate holder who has been in his division the longest period of time. Any certificate holder shall cease to be a member upon non-payment of dues, or if his certificate should otherwise terminate according to its terms.

This certificate shall participate in the Contingent Endowment Fund Distribution when and only if it shall be the oldest living member in said division, as herein provided; and provided further that this certificate is in full force and effect by the payment of dues as therein provided at the time of such death.

This certificate will automatically advance in said division on the maturity of any certificate by death or the payment of a mortuary endowment, or any lapsation of any older certificate in said division.

OR

to the Assured's _____, the Beneficiary

ONE THOUSAND DOLLARS

(the Face of This Certificate)

Upon the maturity of this Certificate as a Contingent Endowment which shall occur when this Certificate becomes the oldest Certificate in force in the class and division of members of corresponding entry age grouped with the Assured at the time of becoming members and the Society experiences a mortality loss among its other members under a Certificate in force in the same class and division as this Certificate, or upon the maturity of this Certificate as an Old-age Endowment which shall occur on the day the Assured attains the age of seventy years.

For the purpose of Contingent Endowment Fund all certificates which participate therein are grouped in divisions of 25 according to the age of the insured at which the certificate is issued. The certificate holders of each division are numbered from one to twenty-five, inclusive. Number one shall be the certificate holder who has been in his division the longest period of time. Any certificate holder shall cease to be a member upon non-payment of dues, or if his certificate should otherwise terminate according to its terms.

This certificate shall participate in the Contingent Endowment Fund Distribution when and only if it shall be the oldest living member in said division, as herein provided; and provided further that this certificate is in full force and effect by the payment of dues as therein provided at the time of such death.

This certificate will automatically advance in said division on the maturity of any certificate by death or the payment of a mortuary endowment, or any lapsation of any older certificate in said division.

OR

to the Assured's _____, the Beneficiary

ONE THOUSAND DOLLARS

(the Face of This Certificate)

upon receipt of due proof of the death of the Assured before the maturity of any Endowment hereunder.

This Certificate is issued in consideration of the application of the Assured and of the payment of first

_____ dues of \$ _____, receipt of which is hereby acknowledged maintaining this Certificate for the period terminating on the last day of _____, 19_____, and of the payment hereafter in advance of like required dues during the life of the Assured until the maturity of this Certificate.

This Certificate takes effect as of the date of issue but the certificate

year begins with the month of _____ and ends

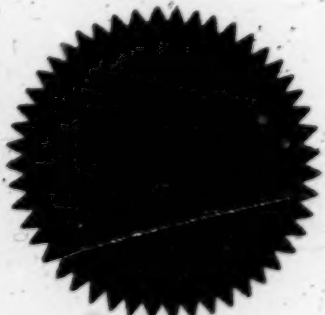
with the month of _____

The benefits, conditions and provisions printed or written by the Society on the succeeding pages are a part of this Certificate.

IN WITNESS WHEREOF, The Preferred Life Assurance Society

has caused this Certificate to be executed this _____ day of

_____, Nineteen Hundred and _____



Samuel Lee
Secretary
G. J. Lee
President

The full legal reserve necessary to provide the benefits and privileges named in this certificate is maintained and invested in accordance with the laws of the State of Alabama.

Examined _____

MISCELLANEOUS PROVISIONS

1. **Misstatement of Age**—If the age of the Assured has been misstated, the amount payable hereunder shall be such as the dues paid would have purchased at the correct age.

2. **Assignment**—This Certificate cannot be assigned or pledged, nor can the benefits payable hereunder be attached for the payment of any debts of the Assured.

3. **Payment of Benefits**—All sums payable by the Society under this Certificate shall be payable at the Home Office of the Society in the City of Montgomery, Alabama. Death claims, Endowments and Old-Age Endowments will be payable under the terms hereof upon the surrender of this Certificate to the Society for cancellation. Should the Assured become entitled to any Endowment under this Certificate and die after the vesting of said Endowment but prior to its payment, then and in that event the Society shall pay the same to the Executors or Administrators of the Assured.

4. **Cancellation by Payment**—This Certificate will mature in one of three ways—as a Contingent Endowment, or as an Old-Age Endowment, or as a Death Benefit—and the payment of any one of these three benefits automatically cancels this Certificate and discharges the Society from all further liability hereon, and such payment is understood to be in full settlement and complete satisfaction of all obligations herein assumed by the Society.

5. **Deduction of Dues to Complete Certificate Year**—The protection under this Certificate is based upon annual dues payable in advance, but for the convenience of the Assured payments may be made in advance in semi-annual, quarterly or monthly installments at such rates therefor as are now in use by the Society. Any unpaid installment or installments of dues necessary to complete payment of dues for the current Certificate year in which death occurs or in which this Certificate matures as a Contingent Endowment shall be deducted from the amount payable hereunder.

6. **Indebtedness**—Any indebtedness to the Society against this Certificate shall be deducted in any settlement hereunder.

7. **Suicide**—If the Assured shall within two years from the date of issue of this Certificate die by his own act, whether sane or insane, the amount payable under this Certificate shall be a sum equal to the dues thereon which have been paid to and received by the Society and no more.

8. **Proof of Death**—Due proof of the death of the Assured must be furnished to the Society at its Home Office within one year from the date of death.

9. **Limitation of Action**—No legal proceedings for recovery upon this Certificate shall be brought within ninety days from the filing with the Society at its Home Office of due proof of any claim arising hereunder; and no action at law or equity shall be brought or maintained on this Certificate unless it be brought within one year from the date of death if brought to recover death benefits and within one year from the time the right of action accrues in all other cases.

10. **Approval of Claim Filed**—If a claim is filed hereunder by the Assured for any benefit accruing to the Assured and such claim is approved by the Society, then and thereupon this Certificate shall mature as such benefit and its subsequent payment shall cancel this Certificate as of the date of such approval. Should the Assured die subsequent to the approval and prior to the payment of such claim, the nature of such approved claim will not be changed to that of a death claim and no liability shall be incurred by the Society on account of the Assured's death but the payment of the claim as originally filed and approved shall discharge the Society of all liability hereunder.

11. **Right to Examine Body and Make Autopsy**—When any claim is filed hereunder involving the death of the Assured, the Society shall have the right and opportunity to examine the body and to make any autopsy unless prohibited by law.

12. **Military or Naval Service**—Military or Naval Service in time of war is a risk not assumed under this Certificate unless a written permit therefor at a rate of extra dues to be fixed by the Society shall be granted, and if the Assured without such permit, signed by an Executive Officer of the Society, shall enter or be engaged in any military or naval service in time of war and dies while engaged in or as a result of such service, the liability of the Society under this Certificate is limited to the amount of the legal reserve to the credit of this Certificate. Within one year after the termination of war, the Society will return such portion of the extra dues received as in its judgment will not be required to cover the extra hazard. Should any other member of this Society holding an Endowment Certificate in the same class and division as this Certificate die while engaged in or as a result of military or naval service in time of war, then such death—regardless of the issuance of permit or the payment of extra dues, as above provided—shall not form, constitute or be construed as the mortality experience of the Society effecting the maturity of an Endowment.

8. **Proof of Death**—Due proof of the death of the Assured must be furnished to the Society at its Home Office within one year from the date of death.

9. **Limitation of Action**—No legal proceedings for recovery upon this Certificate shall be brought within ninety days from the filing with the Society at its Home Office of due proof of any claim arising hereunder; and no action at law or equity shall be brought or maintained on this Certificate unless it be brought within one year from the date of death if brought to recover death benefits and within one year from the time the right of action accrues in all other cases.

10. **Approval of Claim Filed**—If a claim is filed hereunder by the Assured for any benefit accruing to the Assured and such claim is approved by the Society, then and thereupon this Certificate shall mature as such benefit and its subsequent payment shall cancel this Certificate as of the date of such approval. Should the Assured die subsequent to the approval and prior to the payment of such claim, the nature of such approved claim will not be changed to that of a death claim and no liability shall be incurred by the Society on account of the Assured's death but the payment of the claim as originally filed and approved shall discharge the Society of all liability hereunder.

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13. **Statements**—All statements made by the Assured in the written application for membership and the medical examination, both of which constitute a part of this contract, shall be deemed to be warranties, upon the faith of which this Certificate is issued.

14. **Modifications**—No person except the President or the Secretary of the Society has power on behalf of the Society to change, modify or waive the provisions of this Certificate or to extend the time for paying dues or, in the event of lapse, to reinstate this Certificate, and evidence of any such action hereon must be in writing. The Society shall not be bound by any promise or representation heretofore or hereafter made by or to any Organizer, Cashier or other person other than as specified above.

15. **The Contract**—This Certificate is issued to and accepted by the Assured subject to the Constitution and Laws of this Society now in force and effect or which hereafter may be enacted, adopted or promulgated, and it is understood and agreed that the Constitution and Laws of this Society, the application for membership, the medical examination and all Amendments to each thereof, which are hereby referred to, are all made a part of this Certificate the same as though set out in full.

Assured

AUTOMATIC PAID-UP VALUES

After dues for three full years shall have been paid hereon, if default occur in the payment of any subsequent dues, then this certificate shall become automatically paid-up, without any action on the part of the assured, for such sum, payable at the death of the assured, as the reserve on this certificate, less a surrender charge not to exceed two and one-half percent of the amount of insurance hereunder, will purchase as a net single premium at the attained age of the assured at date of such default, provided there is no indebtedness against this certificate, but without the right of maturity as a Contingent Endowment. If the amount available for the purchase of paid-up life insurance is more than sufficient to purchase a sum greater than the face of this certificate, then such excess shall be converted into a pure endowment payable in cash to the assured at attained age seventy, if then living.

If there be any indebtedness against this certificate, such indebtedness will reduce the amount of paid-up life insurance, and the amount of cash, if any, payable at age seventy, in such proportion as the indebtedness bears to the amount available for the purchase of paid-up insurance.

The reserve on this certificate shall be computed according to the American Experience Table of Mortality with interest at $3\frac{1}{2}\%$ per annum, First Year Preliminary Term.

TABLE OF AUTOMATIC PAID-UP INSURANCE VALUES AND CASH, IF ANY, AT AGE 70, PROVIDED THERE IS NO INDEBTEDNESS AGAINST THE CERTIFICATE

ACROSS THE CERTIFICATE								
End of Year	Age 16	Age 17	Age 18	Age 19	Age 20	Age 21	Age 22	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$83	\$85	\$85	\$86	\$86	\$87	\$87	3
4	126	127	127	128	129	129	130	4
5	158	159	160	160	162	165	167	5
6	202	205	208	210	213	215	218	6
7	253	255	258	261	264	266	269	7
8	306	306	309	312	315	317	320	8
9	355	357	360	363	366	369	372	9
10	406	409	412	415	417	420	423	10
11	458	461	464	466	469	472	475	11
12	510	513	516	518	521	524	526	12
13	562	565	568	570	573	576	578	13
14	615	618	620	623	625	628	630	14
15	668	670	673	675	679	680	682	15
16	721	723	726	728	732	734	736	16
17	774	777	779	781	785	788	790	17
18	828	830	832	833	836	837	839	18
19	914	915	916	917	918	919	920	19
20	1000	1000	1000	1000	1000	1000	1000	20

End of Year	Age 23	Age 24	Age 25	Age 26	Age 27	Age 28	Age 29	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$88	\$89	\$89	\$89	\$90	\$90	\$92	3
4	131	131	132	133	133	134	134	4
5	170	172	173	177	179	182	184	5
6	221	223	226	228	231	233	236	6
7	272	274	277	280	282	285	287	7
8	323	326	326	331	334	336	339	8
9	374	377	380	383	395	398	399	9
10	426	429	431	434	437	439	442	10
11	477	480	483	486	488	491	493	11
12	529	532	536	539	547	549	552	12
13	581	583	586	588	591	593	595	13
14	633	635	637	640	642	644	648	14
15	685	687	689	691	693	695	697	15
16	736	738	740	742	744	746	748	16
17	788	790	792	794	796	797	799	17
18	840	842	844	845	847	848	850	18
19	920	921	922	923	924	924	925	19
20	1000	1000	1000	1000	1000	1000	1000	20

End of Year	Age 30	Age 31	Age 32	Age 33	Age 34	Age 35	Age 36	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$91	\$92	\$92	\$93	\$93	\$94	\$94	3
4	135	137	139	141	144	146	148	4
5	187	189	191	194	196	198	200	5
6	238	241	243	246	248	250	252	6
7	290	292	295	297	300	302	304	7
8	342	344	346	348	351	354	356	8
9	393	395	398	400	403	406	407	9
10	444	447	449	451	454	456	458	10
11	495	498	500	502	505	507	509	11
12	547	549	551	553	555	557	559	12
13	598	600	602	604	606	608	609	13
14	648	650	652	654	656	658	659	14
15	699	701	703	704	706	708	709	15
16	750	751	753	755	756	757	758	16
17	800	802	803	806	806	807	808	17
18	851	852	854	855	856	857	858	18
19	926	926	927	928	928	929	929	19
20	1000	1000	1000	1000	1000	1000	1000	20

End of Year	Age 16	Age 17	Age 18	Age 19	Age 20	Age 21	Age 22	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$83	\$85	\$85	\$86	\$86	\$87	\$87	3
4	126	127	127	128	129	129	130	4
5	158	159	160	160	162	165	167	5
6	202	203	208	210	213	215	218	6
7	253	255	258	261	264	264	269	7
8	303	306	309	312	315	317	320	8
9	355	357	360	363	366	369	372	9
10	406	409	412	415	417	420	423	10
11	458	461	464	466	469	472	475	11
12	510	513	516	518	521	524	526	12
13	562	565	568	570	573	576	578	13
14	615	618	620	623	625	628	630	14
15	668	670	673	675	678	680	682	15
16	721	723	726	728	730	732	734	16
17	774	777	779	781	783	785	786	17
18	828	830	832	833	836	837	839	18
19	914	915	916	917	918	919	920	19
20	1000	1000	1000	1000	1000	1000	1000	20

End of Year	Age 23	Age 24	Age 25	Age 26	Age 27	Age 28	Age 29	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$88	\$88	\$89	\$89	\$90	\$90	\$91	3
4	131	131	132	133	133	134	134	4
5	170	172	175	177	179	182	184	5
6	221	223	226	228	231	233	236	6
7	272	274	277	280	282	285	287	7
8	323	326	328	331	334	336	339	8
9	374	377	380	383	385	388	390	9
10	426	429	431	434	437	439	442	10
11	477	480	483	486	488	491	493	11
12	529	532	534	537	539	542	544	12
13	581	583	586	588	591	593	595	13
14	633	635	637	640	642	644	646	14
15	685	687	689	691	693	695	697	15
16	736	738	740	742	744	746	748	16
17	788	790	792	794	796	797	799	17
18	840	842	844	846	847	848	850	18
19	920	921	922	923	924	924	925	19
20	1000	1000	1000	1000	1000	1000	1000	20

End of Year	Age 30	Age 31	Age 32	Age 33	Age 34	Age 35	Age 36	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$91	\$92	\$92	\$93	\$93	\$94	\$94	3
4	135	137	139	141	144	146	148	4
5	187	189	191	194	196	199	200	5
6	239	241	243	246	248	250	253	6
7	290	292	295	297	300	302	304	7
8	342	344	346	349	351	354	356	8
9	393	395	398	400	403	406	408	9
10	444	447	449	451	454	456	458	10
11	495	498	500	502	505	507	509	11
12	547	549	551	553	555	557	559	12
13	598	600	602	604	606	608	609	13
14	648	650	652	654	656	658	659	14
15	699	701	703	704	706	708	709	15
16	750	751	753	755	756	757	758	16
17	800	802	803	805	806	807	808	17
18	851	852	854	855	856	857	858	18
19	926	926	927	928	928	929	929	19
20	1000	1000	1000	1000	1000	1000	1000	20

End of Year	Age 37	Age 38	Age 39	Age 40	Age 41	Age 42	Age 43	End of Year
	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	Paid Up Ins.	
3	\$96	\$96	\$96	\$96	\$97	\$97	\$98	3
4	150	152	154	155	156	157	158	4
5	202	205	207	208	209	210	211	5
6	255	257	259	261	263	265	267	6
7	307	309	311	313	315	317	319	7
8	358	360	362	364	366	368	370	8
9	409	411	413	415	417	419	420	9
10	460	462	464	466	467	469	470	10
11	511	513	514	516	517	518	519	11
12	561	563	564	566	567	568	569	12
13	611	612	614	615	616	617	617	13
14	661	662	663	665	666	667	668	14
15	710	711	712	713	714	714	715	15
16	760	761	762	763	764	765	765	16
17	809	810	811	812	812	813	813	17
18	858	859	860	861	861	862	862	18
19	929	930	930	930	930	930	930	19
20	1000	1000	1000	1000	1000	1000	1000	20

(SEE REVERSE SIDE FOR AGES 44-55)

End of Year	Age 44		Age 45		Age 46		Age 47		Age 48		Age 49		Age 50		End of Year
	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	
3	\$100		\$102		\$107		\$112		\$116		\$118		\$123		3
4	159		160		160		166		171		178		186		4
5	212		212		216		224		232		243		253		5
6	269		270		272		282		293		304		317		6
7	320		322		328		340		352		365		378		7
8	371		372		384		396		410		424		441		8
9	421		422		435		450		464		485		505		9
10	471		472		488		502		523		544		568		10
11	520		521		537		558		578		603		629		11
12	569		570		589		611		635		661		691		12
13	618		618		640		664		690		720		753		13
14	666		666		691		717		747		779		816		14
15	714		714		742		771		803		839		883		15
16	763		763		793		824		860		902		956		16
17	812		812		844		879		919		973		1000	\$30	17
18	862		861		902		941		993		1000	\$45.	1000	108	18
19	930		930		960		1000	\$10	1000	\$61	1000	119	1000	180	19
20	1000		1000	\$24	1000		1000	74	1000	128	1000	187	1000	253	20

End of Year	Age 51		Age 52		Age 53		Age 54		Age 55		End of Year
	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	Paid Up Ins.	Cash at Age 70	
3	\$128		\$135		\$140		\$145		\$154		3
4	195		204		213		226		239		4
5	263		274		289		304		324		5
6	329		345		363		384		408		6
7	396		414		436		463		491		7
8	463		484		511		540		576		8
9	528		554		585		619		661		9
10	593		623		658		700		749		10
11	659		693		734		783		847		11
12	724		765		812		875		945		12
13	791		838		899		966		1000	\$52	13
14	861		920		985		1000	\$63	1000	147	14
15	939		1000	\$4	1000	\$75	1000	154	1000	253	15
16	1000	\$17	1000	85	1000	159	1000	253			16
17	1000	95	1000	164	1000	253					17
18	1000	174	1000	253							18
19	1000	253									19
20											20

BENEFITS, CONDITIONS AND PROVISIONS

1. **Privilege of Changing to Other Forms of Certificates**—(A) At any time before default on payment of dues the Assured may, by filing a written request change this certificate for a certificate upon any plan of protection then issued by the Society for the same face amount as this certificate.

(B) Issuance of the new certificate automatically cancels this certificate. No credit will be allowed for any difference in dues for the actual period of protection already had under this certificate, as such dues are earned but any excess or unearned dues on this certificate will be credited against future dues on the new certificate.

This certificate will automatically advance in said division on the maturity of any certificate by death of the payment of a Mortuary Endowment, or any lapse of any older certificate in said division.

2. **Emergency Draft**—In the event of the death of the Assured during the continuance of this Certificate in force, the Beneficiary may immediately, before furnishing notice or proof of death, secure the sum of One Hundred Dollars as an advance payment on the proceeds payable hereunder by utilizing the "Emergency Draft" appearing on the bottom of this Certificate provided the amount payable hereunder exceeds said sum, and provided further that said draft is properly executed and is drawn and deposited subject to all of the conditions and provisions mentioned therein. Should the deceased be the holder of more than one Certificate in force in this Society, then and in that event only one such advance will be allowed and only one emergency draft will be honored.

3. **Grace and Privilege in Payment of Dues**—The Assured has the privilege of paying the dues hereunder monthly, quarterly, semi-annually or annually in advance at the rates therefor now in use by the Society. If the Assured elects to pay dues monthly, such payments shall be due on the first day of each calendar month and must be paid on or before the last day of each calendar month. If the Assured elects to pay dues quarterly, semi-annually or annually, such payments shall be due on the first day of the first calendar month of the quarterly, semi-annual or annual period and must be paid on or before the last day of the first calendar month of the quarterly, semi-annual or annual period. Failure to make payment of dues on or before the last day of the month when due shall lapse this Certificate. All dues shall be paid at the Home Office of the Society or to its authorized Cashier in exchange for an official receipt signed by the Cashier.

4. **Change of Beneficiary**—The Assured may at any time, and from time to time, change the Beneficiary. Every change of Beneficiary must be made by written notice to the Society at its Home Office on special forms furnished for this purpose accompanied by this Certificate for indorsement of the change thereon by an Executive Officer of the Society and unless so indorsed the change shall not take effect. After such indorsement the change shall relate back to and take effect as of the date the Assured signed said written notice of change whether the Assured be living at the time of such indorsement or not, but without prejudice to the Society on account of any payment made by it before such indorsement. All such indorsements will be made on the "Register of Change of Beneficiary" appearing herein. If there be more than one Beneficiary, the interest of any deceased Beneficiary shall pass to the surviving Beneficiary or Beneficiaries unless otherwise directed by the Assured and indorsed by the Society on this Certificate.

5. **Reinstatement**—At any time within three months after any default in payment of dues, reckoned from the due date thereof, upon written application by the Assured and upon presentation to the Society, at its Home Office of evidence of the good health of the Assured satisfactory to the Society, this Certificate may be reinstated together with any indebtedness, all arrears of dues and current dues. Pending the reinstatement of this Certificate, all monies tendered the Society in payment of dues after the lapse of this Certificate, will be received by the Society as a deposit only and not as a payment of dues and will be held by the Society in trust for the Assured and, if reinstatement is not effected, will be returned to the Assured.

6. **Incontestability**—This Certificate shall be incontestable after two years from its date of issue except for non-payment of required dues or for violation of the terms of the Certificate relating to military or naval service in time of war, and except as to provisions relating to disability, double or triple indemnity benefits, if any.

7. **Residence, Travel and Occupation**—This Certificate is free of conditions as to residence, travel or occupation except as herein provided under disability, double or triple indemnity benefits, if any, and except as to military or naval service in time of war.

8. **Rights of the Assured**—The Assured may, without the consent of the Beneficiary, receive every benefit, exercise every right and enjoy every privilege conferred upon him by this Certificate.

8. **Rights of the Assured**—The Assured may, without the consent of the Beneficiary, receive every benefit, exercise every right and enjoy every privilege conferred upon him by this Certificate.

Register of Change of Beneficiary

NOTE—No change of Beneficiary shall take effect unless indorsed on this Certificate by an Executive Officer of the Society at the Home Office

DATE OF REQUEST	BENEFICIARY	INDORSED BY

INDORSEMENTS

PREFERRED
ENDOWMENT CERTIFICATE
ISSUED BY THE

Preferred Life Assurance Society

OF
MONTGOMERY, ALA

TO

Number

Amount

\$1,000.00

Position at Date of Issue

Annually

Semi-Annually

Quarterly

Monthly

TO COLLECTOR'S CLAIM

Should a claim arise hereunder, the Assured or Beneficiary should write direct to the Society at Montgomery, Alabama, and thereby save time and expense in the assistance of any third person is not necessary for the collection of any proper claim under this Certificate.

NOTICE—All communications regarding this certificate or any of its benefits should be addressed to the Executive Office of this Society, Preferred Life Building, Montgomery, Ala.

All dues must be sent to the Preferred Life Assurance Society, Preferred Life Building, Montgomery, Alabama.

See背面 for details

EXHIBIT 'B' to ANSWER

NUMBER _____

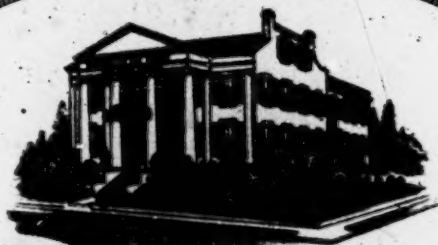
AGE _____

AMOUNT \$1,000.00

CLASS _____

DIVISION _____

PREFERRED LIFE ASSURANCE SOCIETY



BENEFIT SOCIETY
OF MONTGOMERY, ALABAMA
WILL PAY

TO _____

THE ASSURED

(herein referred to as the Assured, a beneficial member of this Society)

One Thousand Dollars

(THE FACE OF THIS CERTIFICATE)

Upon the maturity of this Certificate as a Contingent Endowment which shall occur when this Certificate becomes the oldest Certificate in force in the class and division of members of corresponding entry age grouped with the Assured at the time of becoming members and the Society experiences a mortality loss among its other members under a Certificate in force in the same class and division as this Certificate, or upon the maturity of this Certificate as an Old-Age Endowment which shall occur on the day the Assured attains the age of seventy years.

For the purpose of Contingent Endowment Fund distribution all certificates which participate therein are grouped in classes according to the age as shown at the time the certificate is issued, and in each class there are 25 divisions or more, as authorized and limited by Act of Alabama Legislature, approved July 30th, 1931, and each division may contain no more than 25 members. The certificate holders of each division are numbered from 1 to 25 inclusive. Member One shall be the certificate holder who has been in his division the longest period of time. Any certificate holder shall cease to be a member upon non-payment of dues, or if his certificate should otherwise terminate according to its terms. The division of a new member will be determined by the number of members in each division of the class at the time of admission, and each new member will be assigned a position in a separate division of his class for each certificate issued such member. Each applicant's certificate will be placed in the division of his class containing the fewest number of members.

The holder of this certificate shall participate in the Contingent Endowment Fund distribution when and only if another member in his division shall die and he is the oldest member in his division; and provided further that this certificate is in full force and effect by payment of dues as therein provided at the time of such death, and that such death was not the result of suicide as provided in Paragraph 7, "SUICIDE," nor the result of engaging in military or naval service as provided in paragraph 12, "MILITARY OR NAVAL SERVICE," under Miscellaneous Provisions.

The holder of this certificate will automatically advance in his division on the maturity of any certificate by death or the payment of a mortuary endowment, or any lapse of any older certificate in the same division. OR

to the Assured's _____

the Beneficiary _____

One Thousand Dollars

(THE FACE OF THIS CERTIFICATE)

Upon the maturity of this Certificate as a Contingent Endowment which shall occur when this Certificate becomes the oldest Certificate in force in the class and division of members of corresponding entry age grouped with the Assured at the time of becoming members and the Society experiences a mortality loss among its other members under a Certificate in force in the same class and division as this Certificate, or upon the maturity of this Certificate as an Old-Age Endowment which shall occur on the day the Assured attains the age of seventy years.

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The holder of this certificate shall participate in the Contingent Endowment Fund distribution when and only if another member in his division shall die and he is the oldest member in his division, and provided further that this certificate is in full force and effect by payment of dues as therein provided at the time of such death, and that such death was not the result of suicide as provided in Paragraph 7, "SUICIDE," nor the result of engaging in military or naval service as provided in paragraph 12, "MILITARY OR NAVAL SERVICE," under Miscellaneous Provisions.

The holder of this certificate will automatically advance in his division on the maturity of any certificate by death or the payment of a mortuary endowment, or any lapsation of any older certificate in the same division. OR

to the Assured's _____ the Beneficiary

One Thousand Dollars

(THE FACE OF THIS CERTIFICATE)

upon receipt of due proof of the death of the Assured before the maturity of any Endowment hereunder.

This Certificate is issued in consideration of the application of the Assured and of the payment of first _____ dues of \$ _____ receipt of which is hereby acknowledged maintaining this Certificate for the period terminating on the last day of _____ 19 _____ and of the payment hereafter in advance of like required dues during the life of the Insured until the maturity of this Certificate.

This Certificate takes effect as of the date of issue but the certificate year begins with the month of _____ and ends with the month of _____

The benefits, conditions and provisions printed or written by the Society on the succeeding pages are a part of this Certificate.

IN WITNESS WHEREOF, The Preferred Life Assurance Society has caused this Certificate to be executed this _____ day of _____, Nineteen Hundred and _____


Wm. Longshore SECRETARY *SAMUEL COPELAND* PRESIDENT

Examined _____

The full legal reserve necessary to provide the benefits and privileges named in this Certificate is maintained and invested in accordance with the laws of the State of Alabama.

MISCELLANEOUS PROVISIONS

1. **MISSTATEMENT OF AGE**—If the age of the Assured has been misstated, the amount payable hereunder shall be such as the dues paid would have purchased at the correct age.

2. **ASSIGNMENT**—This Certificate cannot be assigned or pledged, nor can the benefits payable hereunder be attached for the payment of any debts of the Assured.

3. **PAYMENT OF BENEFITS**—All sums payable by the Society under this Certificate shall be payable at the Home Office of the Society in the City of Montgomery, Alabama. Death claims, Endowments and Old-Age Endowments will be payable under the terms hereof upon the surrender of this Certificate to the Society for cancellation. Should the Assured become entitled to any Endowment under this Certificate and die after the vesting of said Endowment but prior to its payment, then and in that event the Society shall pay the same to the Executors or Administrators of the Assured.

4. **CANCELLATION BY PAYMENT**—This Certificate will mature in one of three ways—as a Contingent Endowment, or as an Old-Age Endowment, or as a Death Benefit—and the payment of any one of these three benefits automatically cancels this Certificate and discharges the Society from all further liability hereon, and such payment is understood to be in full settlement and complete satisfaction of all obligations herein assumed by the Society.

5. **DEDUCTION OF DUES TO COMPLETE CERTIFICATE YEAR**—The protection under this Certificate is based upon annual dues payable in advance, but for the convenience of the Assured payments may be made in advance in semi-annual, quarterly or monthly installments at such rates therefor as are now in use by the Society. Any unpaid installment or installments of dues necessary to complete payment of dues for the current Certificate year in which death occurs or in which this Certificate matures as a Contingent Endowment shall be deducted from the amount payable hereunder.

6. **INDEBTEDNESS**—Any indebtedness to the Society against this Certificate shall be deducted in any settlement hereunder.

7. **SUICIDE**—If the Assured shall within two years from the date of issue of this Certificate die by his own act, whether sane or insane, the amount payable under this Certificate shall be a sum equal to the dues thereon which have been paid to and received by the Society and no more.

8. **PROOF OF DEATH**—Due proof of the death of the Insured must be furnished to the Society at its Home Office within one year from the date of death.

9. **LIMITATION OF ACTION**—No legal proceedings for recovery upon this Certificate shall be brought within ninety days from the filing with the Society at its Home Office of due proof of any claim arising hereunder, and no action at law or equity shall be brought or maintained on this Certificate unless it be brought within one year from the date of death if brought to recover death benefits and within one year from the time the right of action accrues in all other cases.

10. **APPROVAL OF CLAIM FILED**—If a claim is filed hereunder by the Assured for any benefit accruing to the Assured and such claim is approved by the Society, then and thereupon this Certificate shall mature as such benefit and its subsequent payment shall cancel this Certificate as of the date of such approval. Should the Assured die subsequent to the approval and prior to the payment of such claim, the nature of such approved claim will not be changed to that of a death claim and no liability shall be incurred by the Society on account of the Assured's death but the payment of the claim as originally filed and approved shall discharge the Society of all liability hereunder.

11. **RIGHT TO EXAMINE BODY AND MAKE AUTOPSY**—When any claim is filed hereunder involving the death of the Assured, the Society shall have the right and opportunity to examine the body and to make any autopsy unless prohibited by law.

12. **MILITARY OR NAVAL SERVICE**—Military or Naval Service in time of war is a risk not assumed under this Certificate unless a written permit therefor at a rate of extra dues to be fixed by the Society shall be granted, and if the Assured without such permit, signed by an Executive Officer of the Society, shall enter or be engaged in any military or naval service in time of war and dies while engaged in or as a result of such service, the liability of the Society under this Certificate is limited to the amount of the legal reserve to the credit of this Certificate. Within one year after the termination of war, the Society will return such portion of the extra dues received as in its judgment will not be required to cover the extra hazard. Should any other member of this Society holding an Endowment Certificate in the same class and division as this Certificate die while engaged in or as a result of military or naval service in time of war, then such death—regardless of the issuance of permit or the payment of extra dues as above provided—shall not form, constitute or be construed as the mortality experience of the Society effecting the maturity of an Endowment.

7. **SUICIDE**—If the Assured shall within two years from the date of issue of this Certificate die by his own act, whether sane or insane, the amount payable under this Certificate shall be a sum equal to the dues thereon which have been paid to and received by the Society and no more.

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13. **STATEMENTS**—All statements made by the Assured in the written application for membership and the medical examination, both of which constitute a part of this contract, shall be deemed to be warranties, upon the faith of which this Certificate is issued.

14. **MODIFICATIONS**—No person except the President or the Secretary of the Society has power on behalf of the Society to change, modify or waive the provisions of this Certificate or to extend the time for paying dues or, in the event of lapse, to reinstate this Certificate, and evidence of any such action hereon must be in writing. The Society shall not be bound by any promise or representation heretofore or hereafter made by or to any Organizer, Cashier or other person other than as specified above.

15. **THE CONTRACT**—This Certificate is issued to and accepted by the Assured subject to the Constitution and Laws of this Society now in force and effect or which hereafter may be enacted, adopted or promulgated, and it is understood and agreed that the Constitution and Laws of this Society, the application for membership, the medical examination and all Amendments to each thereof, which are hereby referred to, are all made a part of this Certificate the same as though set out in full.

BENEFITS, CONDITIONS AND PROVISIONS

1. **PRIVILEGE OF CHANGING TO OTHER FORMS OF CERTIFICATES**—(A) At any time before default in payment of dues the Assured may, by filing a written request exchange this Certificate for a certificate upon any plan of protection then issued by the Society for the same face amount as this Certificate.

(B) Issuance of the new certificate automatically cancels this Certificate. No credit will be allowed for any difference in dues for the actual period of protection already had under this Certificate, as such dues are earned but any excess or unearned dues on this Certificate will be credited against future dues on the new certificate.

This Certificate will automatically advance in said division on the maturity of any certificate by death or the payment of a Mortuary Endowment, or any lapse of any older certificate in said division.

2. **EMERGENCY DRAFT**—In the event of the death of the Assured during the continuance of this Certificate, the Beneficiary may immediately, before furnishing notice or proof of death, secure the sum of One Hundred Dollars as an advance payment on the proceeds payable hereunder by utilizing the "Emergency Draft" appearing on the bottom of this Certificate provided the amount payable hereunder exceeds said sum, and provided further that said draft is properly executed and is drawn and deposited subject to all of the conditions and provisions mentioned therein. Should the deceased be the holder of more than one Certificate in force in this Society, then and in that event only one such advance will be allowed and only one emergency draft will be honored.

3. **GRACE AND PRIVILEGE IN PAYMENT OF DUES**—The Assured has the privilege of paying the dues hereunder monthly, quarterly, semi-annually or annually in advance at the rates therefor now in use by the Society. If the Insured elects to pay dues monthly, such payments shall be due on the first day of each calendar month and must be paid on or before the last day of each calendar month. If the Insured elects to pay dues quarterly, semi-annually or annually, such payments shall be due on the first day of the first calendar month of the quarterly, semi-annual or annual period and must be paid on or before the last day of the first calendar month of the quarterly, semi-annual or annual period. Failure to make payment of dues on or before the last day of the month when due shall lapse this Certificate. All dues shall be paid at the Home Office of the Society or to its authorized Cashier in exchange for an official receipt signed by the Cashier.

4. **CHANGE OF BENEFICIARY**—The Assured may at any time, and from time to time, change the Beneficiary. Every change of Beneficiary must be made by written notice to the Society at its Home Office on special forms furnished for this purpose accompanied by this Certificate for indorsement of the change thereon by an Executive Officer of the Society and unless so indorsed the change shall not take effect. After such indorsement the change shall relate back to and take effect as of the date the Assured signed said written notice of change whether the Assured be living at the time of such indorsement or not, but without prejudice to the Society on account of any payment made by it before such indorsement. All such indorsements will be made on the "Register of Change of Beneficiary" appearing herein. If there be more than one Beneficiary, the interest of any deceased Beneficiary shall pass to the surviving Beneficiary or Beneficiaries unless otherwise directed by the Assured and indorsed by the Society on this Certificate.

5. **REINSTATEMENT**—At any time within three months after any default in payment of dues, reckoned from the due date thereof, this Certificate may be reinstated upon written application by the Assured and upon presentation to the Society, at its Home Office of evidence of the good health of the Assured satisfactory to the Society, together with the payment of any indebtedness, all arrears of dues and current dues. Pending the reinstatement of this Certificate, all monies tendered the Society in payment of dues after the lapse of this Certificate, will be received by the Society as a deposit only and not as a payment of dues and will be held by the Society in trust for the Assured and, if reinstatement is not effected, will be returned to the Assured.

6. **INCONTESTABILITY**—This Certificate shall be incontestable after two years from its date of issue except for non-payment of required dues or for violation of the terms of this Certificate relating to military or naval service in time of war, and except as to provisions relating to disability, double or triple indemnity benefits, if any.

7. **RESIDENCE, TRAVEL AND OCCUPATION**—This Certificate is free of conditions as to residence, travel or occupation except as herein provided under disability, double or triple indemnity benefits, if any, and except as to military or naval service in time of war.

8. **RIGHTS OF THE ASSURED**—The Assured may, without the consent of the Beneficiary, receive every benefit, exercise every right and enjoy every privilege conferred upon him by this Certificate.

4. **CHANGE OF BENEFICIARY**—The Assured may at any time, and from time to time, change the Beneficiary. Every change of Beneficiary must be made by written notice to the Society at its Home Office on special forms furnished for this purpose accompanied by this Certificate for indorsement of the change thereon by an Executive Officer of the Society and unless so indorsed the change shall not take effect. After such indorsement the change shall relate back to and take effect as of the date the Assured signed said written notice of change whether the Assured be living at the time of such indorsement or not, but without prejudice to the Society on account of any payment made by it before such indorsement. All such indorsements will be made on the "Register of Change of Beneficiary" appearing herein. If there be more than one Beneficiary, the interest of any deceased Beneficiary shall pass to the surviving Beneficiary or Beneficiaries unless otherwise directed by the Assured and indorsed by the Society on this Certificate.

5. **REINSTATEMENT**—At any time within three months after any default in payment of dues, reckoned from the due date thereof, this Certificate may be reinstated upon written application by the Assured and upon presentation to the Society, at its Home Office of evidence of the good health of the Assured satisfactory to the Society, together with the payment of any indebtedness, all arrears of dues and current dues. Pending the reinstatement of this Certificate, all monies tendered the Society in payment of dues after the lapse of this Certificate, will be received by the Society as a deposit only and not as a payment of dues and will be held by the Society in trust for the Assured and, if reinstatement is not effected, will be returned to the Assured.

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7. **RESIDENCE, TRAVEL AND OCCUPATION**—This Certificate is free of conditions as to residence, travel or occupation except as herein provided under disability, double or triple indemnity benefits, if any, and except as to military or naval service in time of war.

8. **RIGHTS OF THE ASSURED**—The Assured may, without the consent of the Beneficiary, receive every benefit, exercise every right and enjoy every privilege conferred upon him by this Certificate.

Emergency Draft

Dated at _____ State of _____

This _____ Day of _____, 19____

AT SIGHT PAY TO THE ORDER OF _____

which said Bank, by its indorsement hereon, does hereby certify to and guarantee the Fact of the Death from causes other than Suicide of _____ the Assured under Certificate No. _____ Issued by

PREFERRED LIFE ASSURANCE SOCIETY

One Hundred Dollars (\$100.00)

That the said Certificate shall be in force at the time of the death of the Assured and that the said Assured shall be entitled to the Death Benefit accruing under said Certificate and that the said Assured shall in no way prejudice his rights to receive the same by the execution of this draft. The Drawer signing this draft certifies that he or she is the Assured under said Certificate and that the Assured protected under said Certificate died on the _____ day of _____, 19____, and that the cause of death was _____

The Payee Bank guarantees the signature and the identity of the Beneficiary who signs this draft.

PREFERRED LIFE ASSURANCE SOCIETY
MONTGOMERY, ALABAMA

Beneficiary Sign Here

Subject to the conditions printed herein, this Draft will be paid at the Home Office of Preferred Life Assurance Society, in the City of Montgomery, Alabama.

Joseph E. Jackson
President

SAMPLE COPY

REGISTER OF CHANGE OF BENEFICIARY

NOTE—No change of Beneficiary shall take effect unless indorsed on this Certificate by an Executive Officer of the Society at the Home Office

DATE OF REQUEST	BENEFICIARY	INDORSED BY

INDORSEMENTS

PREFERRED

ENDOWMENT CERTIFICATE

ISSUED BY THE

PREFERRED LIFE ASSURANCE SOCIETY

MONTGOMERY, ALA.

COPY TO

NUMBER

AMOUNT

POSITION AT DATE OF ISSUE

ANNUALLY

SEMI-ANNUALLY

QUARTERLY

MONTHLY

\$1,000.00

ISSUED

SAMPLE

TO COLLECT A CLAIM

Should a claim arise hereunder, the Assured or Beneficiary should write direct to the Society at Montgomery, Alabama, and thereby save time and expense as the assistance of any third person is not necessary for the collection of any proper claim under this Certificate.

NOTICE.—All communications regarding this certificate or any of its benefits should be addressed to the Executive Office of this Society, Preferred Life Building, Montgomery, Ala.

All dues must be sent to the Preferred Life Assurance Society Preferred Life Building, Montgomery, Alabama, or its authorized Branch Offices.

EXHIBIT 'C' to ANSWER

1777636

APPLICATION TO PREFERRED LIFE ASSURANCE SOCIETY - PART 1

1. (Print name in full) JAMES LANIER BERNARD
(Given Name) (Middle Name) (Last Name)

Residence	Place of business	Present Occupation	Born at
State <u>S.C.</u>		<u>Pharmacy</u>	<u>Waynes</u>
County <u>RICHLAND</u>		State exact duties in full	<u>S.C.</u>
Town <u>COLUMBIA</u>		Other occupations (if any)	on <u>3</u> day of <u>June</u> 19 <u>11</u>
Street <u>Services</u>			Married
No. <u>1603</u> R. F. D.			Not Married
			(Strike out one)
Name and address of firm or employer			Send all communications to
<u>SUMMER STREET PHARMACY</u>			Residence
			Place of business
			(Strike out one)

Application to Preferred Life Assurance Society for membership in Columbia, S.C. Lodge No. 36
Located at Calabria in the State of S.C. and for Beneficial Certificates as follows:

2. Amount of protection desired 1000 Plan of protection desired P.E. Dues how payable monthly Age nearest birthday 23
(Annual - Semi-Annual - Quarterly - Monthly)

3. I designated as Beneficiary to receive the proceeds of Certificate in event of death, and reserve the right to change the Beneficiary from time to time:

Beneficiary (Print Name in Full)	Address	Age of Beneficiary	Relation to Insured
<u>Mrs. Laura Belle Bern.</u>	<u>1603 Services</u>	<u>43</u>	<u>Wife</u>

4. The following is all the life insurance and fraternal protection I now have on my life: (If none, say "None")

Name of Company or Society and Amount

5. No application for insurance or fraternal protection on my life, and no application for the reinstatement of such insurance or fraternal protection has been declined except as follows: "None, say "None")

South Eastern 1000

6 A. When last accepted for Life Insurance

6 B. Give year, and name of Company.

1930

South Eastern

CHECKED

Mrs. Laura Della Betz		1603 Service		H3	Knoultin

6. The following is all the life insurance and fraternal protection I now have on my life: (If none, say "None") South Eastern 10007

7. No application for insurance or fraternal protection on my life, and no application for the reinstatement of such insurance or fraternal protection has been declined except as follows: "None, say "None") na.

8 A. When last accepted for Life Insurance 1930

8 B. Give year and name of Company. South Eastern

9. ADDITIONS OR AMENDMENTS (For Home Office Use Only.)

13-21

1561

I AGREE, REPRESENT AND DECLARE, on behalf of myself and of every person who shall here or claim any interest in any certificate or certificate issued under this application, as follows: I have read each and all of the above answers and they are each within my knowledge and each of them is full, complete and true. I am in good health and free from any and all disease, ailments, physical impairments or disabilities, except as stated in this application and I have submitted to a medical examination which is a part of it. I am not engaged in any profession or occupation other than as stated in this application. All of my statements, representations and answers contained in this application and in the medical examination are made by me to obtain the protection requested herein; they are each made to the best of my knowledge and belief and I believe them to be true and correct and I am not aware of any facts or circumstances which would render any certificate that may be issued to me under this application null and void and all the rights and benefits thereunder to myself or beneficiary shall come and terminate without action. I expressly waive the attaching of copies of this application to any certificate issued hereunder and I expressly waive any and all provisions of all statutory laws and court decisions in relation thereto. Only the President or Secretary of the Society can make, modify or discharge contracts or waive any of the Society's rights or requirements and I agree to be bound by the knowledge of the President, Cashier or the Medical Examiner is not notice of non-compliance with the Society and neither one of them is authorized to accept members or to pass upon the good health of members. A receipt on the form attached as a coupon to this application is the only receipt the Organizer is authorized to give for any payment made at the time this application is given. If this application is for a Preferred Life Endowment Certificate no particular number or position in class or division was promised me by the Organizer who issued this application and I understand that no Organizer can provide any particular number or position in class. I will file completed medical examination within ten days from date of this application. The amount paid by me as membership fee and first dues accompanying this application shall be held in trust by the Society until such time as my application and medical examination are reviewed by the Society at its executive office and I shall be notified and I shall be notified if this application is rejected then the Society will refund the membership fee and the first dues. By receiving and signing any Certificate issued under this application, I hereby ratify any additions or amendments which the Society may make and refer to in connection with this application. The protection hereby applied for shall take effect at the time, in the manner and under the conditions specified in the application and in the respective certificate or certificates issued under this application. I will assume all ritualistic obligations of the Society and give a pledge not to reveal them to anyone not entitled to receive them and at the first opportunity I will present myself to the lodge mentioned in this application for initiation into the secret work of the Society. Any certificate issued under this application will be accepted by me subject to the Constitution and Laws of the Society now in force and effect or which hereafter may be enacted, adopted or promulgated. The Charter, Constitution and Laws of this Society, my application for membership, my medical examination, and all amendments to each thereof, all constitute the basis of and form a part of any certificate that may be issued to me hereunder by Preferred Life Assurance Society.

HEREBY DECLARE that I have paid to Organizer 2 Dollars (\$ 4.00) in cash, and that I hold this receipt for the same, made up, without alteration, on the receipt form detached from and corresponding in date with this application, and I assent to the terms of said receipt.

Dated at the City of St. Louis in the State of Mo. this 2 day of Nov. 1932

Witnessed and obligated by Wm. F. ... Applicant's Signature in own proper handwriting

Wm. F. ... Organizer. (Given Name) (Middle Name) (Last Name)

RETAIL CREDIT COMPANY LIFE REPORT



COLUMBIA OFFICE

Mail No. 213 Columbia, S.C.
11-5-34
Bell, James Lanier
Columbia, S.C. 1603 Cervais St.
Druggist-Sunrise Pharmacy

INSURANCE HISTORY
Date Last No. No. No. No. No.

Age 23
No. 121
No. 121
CONFIDENTIAL

QUESTIONS:	1. About how long have you or each of your informants known him?	A 3 yr. 3 yr.
	2. How many times have you or your informants been with him or heard of him?	A Today
	3. About what is his age, and what is his usual address?	A 23 New Anglo Saxon
PERSONAL:	1-4. What are his usual daily habits?	A Clerk on front
	5. Has he any abnormal other than good about? (If so, what?)	A No
	6. Has he any abnormal in his habits, habits, or any abnormal about?	A No
EDUCATION:	1. How many years of school has he attended? (If so, what?)	A No
	2. How many years of school has he attended? (If so, what?)	A No
EMPLOYMENT:	1-4. About what would you estimate his net worth?	A Small
	5. About what is his net annual income from his work or business?	A \$7-800
	6. About what is his net annual income from his work or business?	A None
HEALTH:	1-4. Is he a good general health?	A Yes
	5. Is he a good general health?	A No
	6. Is he a good general health?	A No
	7. Is he a good general health?	A No
	8. Is he a good general health?	A No
	9. Is he a good general health?	A No
	10. Is he a good general health?	A No
	11. Is he a good general health?	A No
	12. Is he a good general health?	A No
	13. Is he a good general health?	A No
	14. Is he a good general health?	A No
	15. Is he a good general health?	A No
	16. Is he a good general health?	A No
	17. Is he a good general health?	A No
	18. Is he a good general health?	A No
	19. Is he a good general health?	A No
	20. Is he a good general health?	A No
	21. Is he a good general health?	A No
	22. Is he a good general health?	A No
	23. Is he a good general health?	A No
	24. Is he a good general health?	A No
	25. Is he a good general health?	A No
	26. Is he a good general health?	A No
	27. Is he a good general health?	A No
	28. Is he a good general health?	A No
	29. Is he a good general health?	A No
	30. Is he a good general health?	A No
	31. Is he a good general health?	A No
	32. Is he a good general health?	A No
	33. Is he a good general health?	A No
	34. Is he a good general health?	A No
	35. Is he a good general health?	A No
	36. Is he a good general health?	A No
	37. Is he a good general health?	A No
	38. Is he a good general health?	A No
	39. Is he a good general health?	A No
	40. Is he a good general health?	A No
	41. Is he a good general health?	A No
	42. Is he a good general health?	A No
	43. Is he a good general health?	A No
	44. Is he a good general health?	A No
	45. Is he a good general health?	A No
	46. Is he a good general health?	A No
	47. Is he a good general health?	A No
	48. Is he a good general health?	A No
	49. Is he a good general health?	A No
	50. Is he a good general health?	A No
	51. Is he a good general health?	A No
	52. Is he a good general health?	A No
	53. Is he a good general health?	A No
	54. Is he a good general health?	A No
	55. Is he a good general health?	A No
	56. Is he a good general health?	A No
	57. Is he a good general health?	A No
	58. Is he a good general health?	A No
	59. Is he a good general health?	A No
	60. Is he a good general health?	A No
	61. Is he a good general health?	A No
	62. Is he a good general health?	A No
	63. Is he a good general health?	A No
	64. Is he a good general health?	A No
	65. Is he a good general health?	A No
	66. Is he a good general health?	A No
	67. Is he a good general health?	A No
	68. Is he a good general health?	A No
	69. Is he a good general health?	A No
	70. Is he a good general health?	A No
	71. Is he a good general health?	A No
	72. Is he a good general health?	A No
	73. Is he a good general health?	A No
	74. Is he a good general health?	A No
	75. Is he a good general health?	A No
	76. Is he a good general health?	A No
	77. Is he a good general health?	A No
	78. Is he a good general health?	A No
	79. Is he a good general health?	A No
	80. Is he a good general health?	A No
	81. Is he a good general health?	A No
	82. Is he a good general health?	A No
	83. Is he a good general health?	A No
	84. Is he a good general health?	A No
	85. Is he a good general health?	A No
	86. Is he a good general health?	A No
	87. Is he a good general health?	A No
	88. Is he a good general health?	A No
	89. Is he a good general health?	A No
	90. Is he a good general health?	A No
	91. Is he a good general health?	A No
	92. Is he a good general health?	A No
	93. Is he a good general health?	A No
	94. Is he a good general health?	A No
	95. Is he a good general health?	A No
	96. Is he a good general health?	A No
	97. Is he a good general health?	A No
	98. Is he a good general health?	A No
	99. Is he a good general health?	A No
	100. Is he a good general health?	A No

REMARKS: 1-4. BUSINESS-DUTIES: Describe duties in detail, present and past business activity.
5. PERSONAL-HEALTH: Comments on health, mental status, standing as a citizen.

BUSINESS-DUTIES: Your applicant formerly attended school here. For the last four or five months, he has been working for his brother, who owns the above drug store, as soda clerk or front man. He is not a druggist and does not fill prescriptions, but waits on the front trade. Does no delivery work.

PERSONAL-HEALTH: James Lanier Bell is single and stays in a nice section. His general standing is reputable and health apparently good.

BEER, WINE & WHISKEY SALES: This store sells legal bottled beer and applicant personally dispenses this over a counter, for consumption on the premises, as a side line commodity. He has not had any present or past whiskey connections and the general reputation of this store is good.

[fol. 73]

MEMBERSHIP APPLICATION

I hereby make application for membership in Lodge No. _____ of Preferred Life Assurance Society, located at _____ and agree to present myself for induction into this Lodge as soon as possible.

Dated at _____ this _____ day of _____, 19 _____

Applicant.

[fol. 74]

EXHIBIT "D" TO ANSWER

January 10, 1936.

Mr. James L. Bell, 1603 Gervais Street, Columbia, South Carolina.

DEAR MR. BELL:

We have been requested by our Columbia Office to write you in regard to the position you hold in your division. We wish to advise that you are still holding position number 5 in your division (F)C, Class 23. It seems that you have been placed in a group of "stickers", who are wise enough not to let their Certificates lapse. Of course, sooner or later there will be deaths in this group, and when one of the members holding a lower number than yours dies, you will move down two places, and when one holding a higher position dies, you will move down one place. Should any of these members holding the lower numbers become financially unable to continue their payments, they would, of course, be lapsed and you would take advantage of their having dropped out by moving down.

Trusting this is the information you desired, and that we will have the pleasure of delivering you a Contingent Endowment Check at sometime in the near future, we are

Fraternally yours, Preferred Life Assurance Society.
By — — —, General Manager.

SHL/W/1

[fol. 75] . EXHIBIT "E" TO ANSWER
(Copy)

April 4, 1938.

Mr. James Lanier Bell, 1603 Gervais Street, Columbia,
S. C.

DEAR MR. BELL:

We have been requested by our Columbia Office to write you in regard to the number of members in your group. Since all information of this nature is kept in the Home Office, it was necessary that the information be forwarded from this office.

There are now ten active members in your Division (F)C, of Class 23, in which you are holding a position number 4.

Trusting the above is the information you desired, and that we will have the pleasure of paying you a Contingent Endowment Claim before long, we are

Fraternally yours, Preferred Life Assurance Society.
By — — —, General Manager.

SHL:w:1

[fol. 76] EXHIBIT "F" TO ANSWER
(Copy)

January 31, 1940.

Mr. James L. Bell, 1603 Gervais Street, Columbia, S. C.

DEAR MR. BELL:

We have been requested by our South Carolina Office to inform you as to your position and the number of members in your group.

You are holding a position #4 in Division (F)C, of Class 23, and there are at this time ten active members in your division. In holding a position #4 you are just outside of the circle in which Contingent Endowment Claims mature. The #1 in the group will be paid on the first death in the group, if his certificate is in force. The #2 will be paid on the death of the #1, if both certificates are in force. Should either the #1 or #2 die, and the other

be more than ninety days delinquent with his premium payments, the #3 would be paid.

We trust this is the information you desired, and that we will have the pleasure before many years of paying you a Contingent Endowment Claim.

Fraternally yours, Preferred Life Assurance Society.
By — — —, General Manager.

SHL:w1

cc: Miss Rosalie Brogdon.

[fol. 77] EXHIBIT "G" TO ANSWER

Joseph E. Justice, President; A. F. Whiting, General Counsel, J. J. Warren, Asst. Secretary; M. M. Longshore, Sec'y. and Treas.; B. Cosby Bird, Medical Director; F. M. Phillippi, Actuary.

Preferred Life Assurance Society
Home Office
Montgomery, Ala.

December 16, 1939.

DEAR MEMBER:

A special meeting of the Supreme Lodge of our Society will be called for January 15, 1940, at which meeting important matters affecting the interest of our members will be considered and acted on.

A delegate to said meeting is to be elected by the members at the regular monthly meeting of your Local Lodge, which meeting will be held Wednesday, December 20, 1939 at 7:30 P. M. at the local Lodge room located in the W O W Hall, Winter Building, corner Dexter Avenue and South Court Street, Montgomery, Alabama. We will have a banquet immediately after the close of the Lodge meeting.

It is important that you attend this meeting and assist in electing a delegate of your choice to said Supreme Lodge meeting.

Be sure to come.

Fraternally yours, Preferred Life Assurance Society.
By J. J. Warren, Ass't. Sec'y.

JJW/bs

[fol. 78] IN UNITED STATES DISTRICT COURT

ANSWERS TO THE INTERROGATORIES AND OBJECTIONS TO CERTAIN INTERROGATORIES—Filed February 14, 1941

Comes the Preferred Life Assurance Society, by its Secretary, J. J. Warren, and for answer to the interrogatories propounded by the plaintiff, and as objections to certain of said interrogatories, says:

[fol. 79]

Part I—Number of Divisions for \$1,000 Certificates

Section 1. Feb. 16, 1929

Section 2. 504

Section 3. All

Section 4. 325

Section 5. 179

Section 6. #3

Section 7.

Age Div.	Age Div.	Age Div.	Age Div.	
a. 16-11.	k. 26-12.	u. 36-10	ee. 46-11.	
b. 17-10.	l. 27-12.	v. 37-10.	ff. 47-10.	
c. 18-10.	m. 28-10.	w. 38-11.	gg. 48-10.	
d. 19-10.	n. 29-10.	x. 39-10.	hh. 49-10.	
e. 20-12.	o. 30-10.	y. 40-12.	ii. 50-11.	
f. 21-10.	p. 31-10.	z. 41-10.	jj. 51-11.	
g. 22-10.	q. 32-10.	aa. 42-11.	kk. 52-10.	
h. 23-10.	r. 33-13.	bb. 43-10.	ll. 53-11.	
i. 24-10.	s. 34-11.	cc. 44-10.	mm. 54-10.	
j. 25-11.	t. 35-10.	dd. 45-10.	nn. 55-11.	
104	108	104	105	421—Total

Section 8.

a. 16-0.	k. 26-2.	u. 36-1.	ee. 46-2.
b. 17-5.	l. 27-0.	v. 37-2.	ff. 47-2.
c. 18-0.	m. 28-1.	w. 38-1.	gg. 48-3.
d. 19-1.	n. 29-0.	x. 39-1.	hh. 49-6.
e. 20-2.	o. 30-0.	y. 40-0.	ii. 50-2.
f. 21-0.	p. 31-0.	z. 41-1.	jj. 51-9.

g. 22-4.	q. 32-4.	aa. 42-1.	kk. 52-8.	
h. 23-1.	r. 33-1.	bb. 43-4.	ll. 53-5.	
i. 24-0.	s. 34-0.	cc. 44-6.	mm. 54-5.	
j. 25-0.	t. 35-2.	dd. 45-4.	nn. 55-8.	
13	10	21	50	94—Total

Section 9. 1456. Includes divisions opened in May 1930 and those taken over from Federal Life Assurance Society in May 1932.

Section 10. 1454. Two groups closed.

Section 11. Florida—July 19, 1937. Louisiana—January 2, 1933. Georgia—January 1, 1932. Mississippi—May 1, 1932. South Carolina—Aug. 9, 1933. Tennessee—Nov. 12, 1935.

Section 12. No new divisions opened.	} Members wherever located placed in existing divisions totalling 1454. No other division opened.
Section 13. No new divisions opened.	
Section 14. No new divisions opened.	
Section 15. No new divisions opened.	
Section 16. No new divisions opened.	
Section 17. No new divisions opened.	
Section 18. 1454. Two divisions closed before Florida was entered.	

[fol. 80]

Section 19. 1456. Same as Alabama.	Divisions were not separated by States, members from all States being placed in existing divisions irrespective of residence.
Section 20. 1456. Same as Alabama.	
Section 21. 1456. Same as Alabama.	
Section 22. 1456. Same as Alabama.	
Section 23. 1454. Same as Alabama.	
Section 24. 1454. Same as Section #18.	
Section 25. 1454. Same as Alabama.	
Section 26. 1454. Same as Alabama.	
Section 27. 1454. Same as Alabama.	
Section 28. 1454. Same as Alabama.	
Section 29. 1454. Same as Alabama.	
Section 30. Yes. Various types of Insurance issued but Preferred Endowment issued in units of \$1,000 only.	

Section 31. See above.

Section 32.

Part II

(a)	No. Maximum Members	(b) Year
Alabama	4896	1940
Florida	120	1940
Georgia	1918	1935
South Carolina	1455	1940
Louisiana	1565	1938
Mississippi	956	1935
Tennessee	199	1938
Section 33. Alabama	4896	In addition to this there is 845 policies reinsured for The First National Life Assurance Society, of Atlanta, Georgia. Policies reinsured on a double liability basis, on account of Contingent Endowment feature.
Florida	120	
Georgia	1376	
South Carolina	1455	
Louisiana	1361	
Mississippi	864	
Tennessee	169	
	10,241	

Section 34.

State of Alabama

Age Div.	Age Div.	Age Div.	Age Div.
a. 16-11.	k. 26-10.	u. 36-9.	ee. 46-7.
b. 17-9.	l. 27-10.	v. 37-10.	ff. 47-7.
c. 18-9.	m. 28-11.	w. 38-10.	gg. 48-7.
d. 19-9.	n. 29-11.	x. 39-10.	hh. 49-6.
e. 20-8.	o. 30-10.	y. 40-10.	ii. 50-6.
f. 21-9.	p. 31-10.	z. 41-9.	jj. 51-6.
g. 22-9.	q. 32-10.	aa. 42-9.	kk. 52-5.
h. 23-10.	r. 33-10.	bb. 43-9.	ll. 53-5.
i. 24-10.	s. 34-10.	cc. 44-9.	mm. 54-5.
j. 25-10.	t. 35-11.	dd. 45-7.	nn. 55-5.

[fol. 81] Section 35. Florida. Same as Alabama.

Section 36. Georgia. Same as Alabama.

Section 37. South Carolina. Same as Alabama.

Section 38. Louisiana. Same as Alabama.

Section 39. Mississippi. Same as Alabama.

Section 40. Tennessee. Same as Alabama.

Section 41. Alabama.

Age Div.	Age Div.	Age Div.	Age Div.
a. 16-11.	k. 26-10.	u. 36-9.	ee. 46-7.
b. 17-9.	l. 27-10.	v. 37-9.	ff. 47-6.
c. 18-9.	m. 28-10.	w. 38-10.	gg. 48-6.
d. 19-9.	n. 29-11.	x. 39-9.	hh. 49-6.
e. 20-8.	o. 30-10.	y. 40-9.	ii. 50-6.
f. 21-9.	p. 31-10.	z. 41-8.	jj. 51-5.
g. 22-9.	q. 32-10.	aa. 42-8.	kk. 52-5.
h. 23-9.	r. 33-10.	bb. 43-8.	ll. 53-4.
i. 24-10.	s. 34-10.	cc. 44-9.	mm. 54-4.
j. 25-10.	t. 35-11.	dd. 45-7.	nn. 55-5.

Section 42. Florida. Same as Alabama.

Section 43. Georgia. Same as Alabama.

Section 44. South Carolina. Same as Alabama.

Section 45. Louisiana. Same as Alabama.

Section 46. Mississippi. Same as Alabama.

Section 47. Tennessee. Same as Alabama.

Section 48. Alabama. No empty Divisions December 31, 1934.

Section 49. Alabama. No empty Divisions December 31, 1935.

Section 50. Alabama. No empty Divisions December 31, 1936.

Section 51. Alabama. No empty Divisions December 31, 1937.

Section 52. Alabama. No empty Divisions December 31, 1938.

Section 53. Alabama. No empty Divisions December 31, 1939.

Section 54. Alabama. No empty Divisions December 31, 1940.

Section 55. Florida. Not operating in Florida during 1935 and 1936.

Section 56. Florida. Not operating in Florida during 1935 and 1936.

Section 57. Florida. No empty Divisions December 31, 1937.

Section 58. Florida. No empty Divisions December 31, 1938.

Section 59. Florida. No empty Divisions December 31, 1939.

Section 60. Florida. No empty Divisions December 31, 1940.

Section 61. Georgia. No empty Divisions December 31, 1934.

Section 62. Georgia. No empty Divisions December 31, 1935.

Section 63. Georgia. No empty Divisions December 31, 1936.

Section 64. Georgia. No empty Divisions December 31, 1937.

Section 65. Georgia. No empty Divisions December 31, 1938.

[fol. 82] Section 66. Georgia. No empty Divisions December 31, 1939.

Section 67. Georgia. No empty Divisions December 31, 1940.

Section 68. South Carolina. No empty Divisions December 31, 1935.

Section 69. South Carolina. No empty Divisions December 31, 1936.

Section 70. South Carolina. No empty Divisions December 31, 1937.

Section 71. South Carolina. No empty Divisions December 31, 1938.

Section 72. South Carolina. No empty Divisions December 31, 1939.

Section 73. South Carolina. No empty Divisions December 31, 1940.

Section 74. Louisiana. No empty Divisions December 31, 1935.

Section 75. Louisiana. No empty Divisions December 31, 1936.

Section 76. Louisiana. No empty Divisions December 31, 1937.

Section 77. Louisiana. No empty Divisions December 31, 1938.

Section 78. Louisiana. No empty Divisions December 31, 1939.

Section 79. Louisiana. No empty Divisions December 31, 1940.

Section 80. Mississippi. No empty Divisions December 31, 1935.

Section 81. Mississippi. No empty Divisions December 31, 1936.

Section 82. Mississippi. No empty Divisions December 31, 1937.

Section 83. Mississippi. No empty Divisions December 31, 1938.

Section 84. Mississippi. No empty Divisions December 31, 1939.

Section 85. Mississippi. No empty Divisions December 31, 1940.

Section 86. Tennessee. No empty Divisions December 31, 1935.

Section 87. Tennessee. No empty Divisions December 31, 1936.

Section 88. Tennessee. No empty Divisions December 31, 1937.

Section 89. Tennessee. No empty Divisions December 31, 1938.

Section 90. Tennessee. No empty Divisions December 31, 1939.

Section 91. Tennessee. No empty Divisions December 31, 1940.

Section 92. Application of Arthur Samuel Jones, Route #1, Augusta, Georgia, was rejected by our Underwriting Department. No Certificates ever offered him. He never knew at what Position his Application was registered.

Section 93. Possibly Certificates have been refused because of Position number, but we have no records of such cases.

Section 94. See Section 93.

Section 95. No.

Section 96. No.

[fol. 83] Section 97. Position #11, issued July 2, 1940, William Hugh Henry, c/o W. D. Henry, Roanoke, Alabama, Certificate #38353, Class 16, Division (P) D. Other Positions Number Eleven have been sold, but none higher.

Part III—*Number of Field Agents Selling Contingent Endowment Insurance*

Section 98. Field agents are termed as "Organizers".

Section 99. List of Organizers by States as of February
 Section 100. 11, 1941 attached. Our records of Organizers,
 Section 101. many of whom are associated with the So-
 Section 102. ciety for only a short while are not kept in
 Section 103. such manner that information asked is avail-
 Section 104. able from our records. This defendant now
 Section 105. has employed more agents soliciting member-
 ships and applications for certificates of con-
 tingent endowment insurance than at any time
 in the history of this Society.

Section 106. W. Guy Longshore was one of the corpora-
 tors and one of the original Board of Trustees of The
 Preferred Life Assurance Society.

Section 107. W. Guy Longshore is General Manager of
 The First National Life Assurance Society, of Atlanta,
 Georgia.

Section 108. W. Guy Longshore is still a member of the
 Board of Trustee of The Preferred Life Assurance So-
 ciety.

Section 109. The First National Life Assurance Society
 was chartered by the State of Georgia in 1936, the exact
 date is unknown. This information can be obtained at
 the State Capitol in Atlanta, Georgia.

Section 110. This information could be better obtained from
 The First National Life Assurance Society, since The
 Preferred Life Assurance Society makes no effort to keep
 up with the whereabouts of the First National Life As-
 surance Society's Organizers. We are answering these
 questions below as best we can from the information
 we have in this office.

a. The First National Life Assurance Society does not
 operate in Alabama.

b. Three.

c. Two.

d. The First National Life Assurance Society does not
 operate in South Carolina.

[fol. 84] Section 111. Yes.

Part IV. *Officers and Directors*

Section 112. M. M. Longshore is the wife of Spencer H. Longshore.

Section 113. Spencer H. Longshore and W. Guy Longshore are brothers.

Section 114. Spencer H. Longshore is General Manager of The Preferred Life Assurance Society and holds an overwriting contract with the Society.

Section 115. Spencer H. Longshore was an agent for The Liberty National Life Insurance Company of Birmingham, Alabama, prior to 1928. W. Guy Longshore was never connected with that Company.

Section 116. Spencer H. Longshore was an agent for The Liberty National Life Insurance Company for approximately eight years.

Section 117. As stated above, W. Guy Longshore was never connected with The Liberty National Life Insurance Company.

Section 118. The Liberty National Life Insurance Company wrote a Contingent Endowment type of insurance prior to 1928 and still writes it according to our understanding. More information about The Liberty National Life Insurance Company can be obtained at the Department of Insurance, at the State Capital, Montgomery, Alabama.

Section 119. a. No.

f. No.

b. Yes.

g. No.

c. No.

h. No.

d. No.

i. No.

e. No.

j. No.

Section 122. a. No.

g. Don't know.

b. No.

h. No.

c. No.

i. Don't know.

d. No.

j. No.

e. No.

k. No.

f. No.

l. No.

Section 121. This section has no seeming connection with Interrogatory Number 118. It is impossible to answer the questions in Section 121.

Section 120. a. Yes.

g. Don't know.

b. Yes.

h. No.

- | | |
|--------|----------------|
| c. No. | i. Don't know. |
| d. No. | j. No. |
| e. No. | k. No. |
| f. No. | l. Yes. |

Section 123. Spencer H. Longshore—

- (a) The First National Life Assurance Society.
- [fol. 85] (b) Atlanta, Georgia.
- (c) Trustee.
- (d) From 1936 to date.
- (e) Connection not terminated.
- (f) Society still in business.
- (g) See (f).

W. Guy Longshore—

- (a) The First National Life Assurance Society.
- (b) Atlanta, Georgia.
- (c) Trustee and General Manager.
- (d) From 1936 to date.
- (e) Connection not terminated.
- (f) Society still in business.
- (g) See (f).

F. M. Phillippi—

- (a) The First National Life Assurance Society.
- (b) Atlanta, Georgia.
- (c) President and Trustee, Actuary.
- (d) President and Trustee for approximately one year.
- Actuary for about three years.
- (e) Fall of 1939.
- (f) Society still in business.
- (g) See (f).

Section 124. Spencer H. Longshore—

- (a) 1. Liberty National Life Insurance Company.
- 2. Preferred Life Assurance Society.
- 3. First National Life Assurance Society.
- (b) 1. Alabama.
- 2. Alabama.
- 3. Georgia.
- (c) 1. Birmingham, Alabama.
- 2. Montgomery, Alabama.
- 3. Atlanta, Georgia.

- (d) 1. Fraternal converted to stock.
2. Fraternal.
3. Fraternal.
- (e) 1. Life Insurance business.
2. Life Insurance business.
3. Life Insurance business.
- (f) 1. Organizer or Agent.
2. Organizer and General Manager, Trustee.
3. Trustee.

[fol. 86] (g) 1. About 1920.

- 2. 1928.
- 3. 1936.

- (h) 1. About July 1, 1928.
2. Still connected.
3. Still connected.

- (i) 1. No.
2. No.
3. No.

- (j) 1. See (i).
2. See (i).
3. See (i).

- (k) 1. See (i).
2. See (i).
3. See (i).

W. Guy Longshore—

- (a) 1. Preferred Life Assurance Society.
2. First National Life Assurance Society.
- (b) 1. Alabama.
2. Georgia.
- (c) 1. Montgomery, Alabama.
2. Atlanta, Georgia.
- (d) 1. Fraternal.
2. Fraternal.
- (e) 1. Life Insurance business.
2. Life Insurance business.
- (f) 1. Trustee and Organizer (Agent).
2. Trustee and General Manager.

- (g) 1. 1928.
- 2. 1936.

- (h) 1. Still Trustee.
- 2. Still connected as in (f).

- (i) 1. No.
- 2. No.

- (j) 1. See (i).
- 2. See (i).

- (k) 1. See (i).
- 2. See (i).

M. M. Longshore—

- (a) 1. Preferred Assurance Society.

- (b) 1. Alabama.

- (c) 1. Montgomery, Alabama.

- (d) 1. Fraternal.

- (e) 1. Life Insurance business.

- (f) 1. Secretary and Treasurer, Trustee.

- (g) 1. 1928.

- (h) 1. December, 1939.

- (i) 1. No.

[fol. 87] (j) 1. See (i).

- (k) 1. See (i).

Travis H. Justice—

- (a) 1. Preferred Life Assurance Society.

- (b) 1. Alabama.

- (c) 1. Montgomery, Alabama.

- (d) 1. Fraternal.

- (e) 1. Life Insurance business.

- (f) 1. President and Trustee.

- (g) 1. 1928.

- (h) 1. April, 1930.

- (i) 1. No.

- (j) 1. See (i).

- (k) 1. See (i).

F. A. Rogers—

- (a) 1. Preferred Life Assurance Society.
2. Franklin Life Insurance Company.
- (b) 1. Alabama.
2. Illinois.
- (c) 1. Montgomery, Alabama.
2. Springfield, Illinois.
- (d) 1. Fraternal.
2. Stock.
- (e) 1. Life Insurance business.
2. Life Insurance business.
- (f) 1. Trustee.
2. General Agent.
- (g) 1. 1928.
2. 1940.
- (h) 1. April, 1930.
2. Still connected.
- (i) 1. No.
2. No.
- (j) 1. See (i).
2. See (i).
- (k) 1. See (i).
(2) See (i).

[fol. 88] Joseph E. Justice—

- (a) 1. Liberty National Life Insurance Company.
2. Preferred Life Assurance Society.
- (b) 1. Alabama.
2. Alabama.
- (c) 1. Birmingham, Alabama.
2. Montgomery, Alabama.
- (d) 1. Fraternal converted to Stock.
2. Fraternal.
- (e) 1. Life Insurance business.
2. Life Insurance business.
- (f) 1. Organizer or Agent.
2. Trustee, Organizer and President.
- (g) 1. About 1919.
2. About February 1, 1929.
- (h) 1. About February 1, 1929.
2. Still connected.
- (i) 1. No.
2. No.
- (j) 1. See (i).

- 2. See (i).
- (k) 1. See (i).
- 2. See (i).

Olin Ware—(Error in name through Interrogatives)

- (a) 1. Preferred Life Assurance Society.
- (b) 1. Alabama.
- (c) 1. Montgomery, Alabama.
- (d) 1. Fraternal.
- (e) 1. Life Insurance business.
- (f) 1. Organizer and Trustee.
- (g) 1. 1928.
- (h) 1. April 1930.
- (i) 1. No.
- (j) 1. See (i).
- (k) 1. See (i).

R. D. Carlton—

- (a) 1. Preferred Life Assurance Society.
- (b) 1. Alabama.
- (c) 1. Montgomery, Alabama.
- (d) 1. Fraternal.
- (e) 1. Life Insurance business.
- (f) 1. Trustee and Clerk.
- (g) 1. 1928.

[fol. 89] (h) 1. Still connected.

- (i) 1. No.
- (j) 1. See (i).
- (k) 1. See (i).

Guy I. Badger—

- (a) 1. Preferred Life Assurance Society.
- (b) 1. Alabama.
- (c) 1. Montgomery, Alabama.
- (d) 1. Fraternal.
- (e) 1. Life Insurance Business.
- (f) 1. Trustee.
- (g) 1. 1928.
- (h) 1. April, 1930.
- (i) 1. No.
- (j) 1. See (i).
- (k) 1. See (i).

Dr. B. Cosby Bird—

- (a) 1. Medical Examiner for various companies.
- 2. Preferred Life Assurance Society.

- (b) 1. Unknown.
- 2. Alabama.
- (c) 1. Unknown.
- 2. Montgomery, Alabama.
- (d) 1. Unknown.
- 2. Fraternal.
- (e) 1. Unknown.
- 2. Life Insurance business.
- (f) 1. Medical Examiner.
- 2. Medical Examiner and Medical Director.
- (g) 1. Unknown.
- 2. 1928.
- (h) 1. Unknown.
- 2. Still connected.
- (i) 1. Unknown.
- 2. No.
- (j) 1. See (i).
- 2. See (i).
- (k) 1. See (i).
- 2. See (i).

[fol. 90] J. J. Warren—

- (a) 1. Liberty National Life Insurance Company.
- 2. Preferred Life Assurance Society.
- (b) 1. Alabama.
- 2. Alabama.
- (c) 1. Birmingham, Alabama.
- 2. Montgomery, Alabama.
- (d) 1. Fraternal converted to Stock.
- 2. Fraternal.
- (e) 1. Life Insurance business.
- 2. Life Insurance business.
- (f) 1. Cashier (collector)
- 2. Bookkeeper, Trustee, Assistant-Secretary, and Secretary.
- (g) 1. About 1927.
- 2. September 1929.
- (h) 1. April 1929.
- 2. Still connected.
- (i) 1. No.
- 2. No.
- (j) 1. See (i).
- 2. See (i).

(k) 1. See (i).

2. See (i)

F. M. Phillippi—

(a) 1. Actuary for various Companies.

2. Preferred Life Assurance Society.

3. First National Life Assurance Society.

(b) 1. Unknown.

2. Alabama.

3. Georgia.

(c) 1. Unknown.

2. Montgomery, Alabama.

3. Atlanta, Georgia.

(d) 1. Unknown.

2. Fraternal.

3. Fraternal.

(e) 1. Unknown.

2. Life Insurance business.

3. Life Insurance business.

(f) 1. Unknown.

2. Actuary.

3. President, Trustee and Actuary.

(g) 1. Unknown.

2. 1935.

3. 1936.

(h) 1. Unknown.

2. 1939.

3. 1939.

(i) 1. Unknown.

2. No.

3. No.

[fol. 91] (j) 1. See (i).

2. See (i).

3. See (i).

(k) 1. See (i).

2. See (i).

3. See (i).

Section 125. Spencer. H. Longshore was one of the Organizers of The Preferred Life Assurance Society, but W. Guy Longshore was not. In answering this question, the term "Organizers" is construed to mean one of the people who organized the Society and not an Organizer or Agent. The term "Organizer" may have two meanings in connection with a Fraternal Insurance Company.

Section 126. Joseph E. Justice was associated with Spencer H. Longshore in the organization of The Preferred Life Assurance Society.

Section 127. a. Travis H. Justice, Supreme President, Birmingham, Alabama.

F. A. Rogers, Supreme Vice-President, Auburn, Alabama.

Mrs. S. H. Longshore, Secretary and Treasurer, Montgomery, Alabama.

b. Same as (a).

c. Joseph E. Justice, President, Montgomery, Alabama.

M. M. Longshore, Secretary and Treasurer, Montgomery, Alabama.

d. Same as (c).

e. Same as (c).

f. Same as (c).

g. Same as (c).

h. Same as (c).

i. Same as (c).

j. Joseph E. Justice, President, Montgomery, Alabama.

M. M. Longshore, Secretary and Treasurer, Montgomery, Alabama.

J. J. Warren, Assistant-Secretary, Montgomery, Alabama.

k. Same as (i).

l. Joseph E. Justice, President, Montgomery, Alabama.

J. J. Warren, Secretary, Montgomery, Alabama.

{fol. 92]

A. F. Whiting, Treasurer, Montgomery, Alabama.

m. Same as (1).

Section 128. Board of Directors from August 1928 to April 26, 1930—

1. T. J. Justice, Railway Mail Clerk, U. S. Government, Birmingham, Alabama. Home Address was Birmingham, Alabama.

2. F. A. Rogers, Manager of moving picture house, Wilby Theatres, Inc., of Birmingham, Alabama. Employed in Auburn,

- Alabama. Home address was Auburn, Alabama.
3. Olin Ware, owner of billiard hall. Employed by self, Auburn, Alabama. Home address was Auburn, Alabama.
 4. Guy Badger, automobile salesman, Hobbie Motor Car Company, Montgomery, Alabama. Home address, Montgomery, Alabama.
 5. R. D. Carlton, Manager of Delivery Department, Montgomery Fair, Montgomery, Alabama. Home address, Montgomery, Alabama.
 6. W. Guy Longshore, Ticket Agent for L. & N. Railroad Company, Montgomery, Alabama. Home address, Montgomery, Alabama.
 7. Mrs. S. H. Longshore, Secretary and Treasurer of Preferred Life Assurance Society of Montgomery, Alabama. Home address, Montgomery, Alabama.

Board of Directors from April 26, 1930 to December 15, 1939

1. J. E. Justice, President, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Montgomery, Alabama.
2. M. M. Longshore, Secretary and Treasurer, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Montgomery, Alabama.
3. R. D. Carlton, Manager of Delivery Department, Montgomery Fair, Montgomery, Alabama. Home address, Montgomery, Alabama. Also, Clerk, Dixie Office Supply Company, Montgomery, Alabama.
4. W. Guy Longshore, with L. & N. Railroad as Ticket Agent until August 1934. Organizer with Preferred Life Assurance Society from August 1934 to July 1936. Business address and Home address, Montgomery, Alabama. From July 1936, General Manager First National Life Assurance Society, Atlanta, Georgia. Home address, Atlanta Georgia.

5. A. D. Merchant, Organizer, Preferred Life Assurance Society, Montgomery, Alabama. Home address, various addresses until January 1, 1933; from that time until the present, business and home address, Baton Rouge, Louisiana.
6. S. H. Longshore, General Manager, Preferred Life Assurance Society, Montgomery, Alabama. Home address Montgomery, Alabama.
7. J. J. Warren, Bookkeeper and Assistant-Secretary, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Montgomery, Alabama.

Board of Directors from December 15, 1939 to date.

1. J. E. Justice, President, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Montgomery, Alabama.
2. A. F. Whiting, Attorney and Treasurer, Preferred Life Assurance Society, Montgomery, Alabama. Home address Montgomery, Alabama.
3. R. D. Carlton, Clerk, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Montgomery, Alabama.
4. W. Guy Longshore, General Manager of First National Life Assurance Society, Atlanta, Georgia. Home address Atlanta, Georgia.

[fol. 94]

5. A. D. Merchant, Organizer, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Baton Rouge, Louisiana.
6. S. H. Longshore, General Manager, Preferred Life Assurance Society, Montgomery, Alabama. Home address Montgomery, Alabama.
7. J. J. Warren, Secretary, Preferred Life Assurance Society, Montgomery, Alabama. Home address, Montgomery, Alabama.

Section 129.

- | | |
|---------------|----------------|
| a. None | g. \$3,600.00 |
| b. \$1,250.00 | h. \$15,000.00 |
| c. \$3,200.00 | i. \$15,000.00 |

	d. \$3,600.00	j. \$15,000.00
	e. \$3,600.00	k. \$14,166.66
	f. \$3,600.00	l. \$5,000.00
Section 130.	a. \$8,785.17	g. \$8,436.23
	b. \$6,815.89	h. None
	c. \$6,989.02	i. \$74.31
	d. \$8,430.25	j. None
	e. \$9,668.71	k. None
	f. \$8,632.17	l. None
Section 131.	a. \$8,785.17	g. \$12,036.23
	b. \$8,065.89	h. \$15,000.00
	c. \$10,189.02	i. \$15,074.31
	d. \$12,030.25	j. \$15,000.00
	e. \$13,268.71	k. \$14,166.66
	f. \$12,232.17	l. \$5,000.00
Section 132.	a. \$1,750.00	g. None
	b. \$2,375.00	h. None
	c. \$2,575.00	i. None
	d. \$2,600.00	j. None
	e. \$2,600.00	k. None
	f. None	l. None
Section 133.	a. \$6,028.36	g. \$27,304.39
	b. \$14,168.97	h. \$35,555.06
	c. \$11,812.13	i. \$38,873.52
	d. \$16,604.39	j. \$39,359.03
	e. \$21,273.80	k. \$41,809.53
	f. \$26,225.25	l. \$48,180.23
Section 134.	a. \$7,778.36	g. \$27,304.39
	b. \$16,543.97	h. \$35,555.06
	c. \$14,387.13	i. \$38,873.52
	d. \$19,204.39	j. \$39,359.03
	e. \$23,873.80	k. \$41,809.53
	f. \$26,225.25	l. \$48,180.23
Section 135.	a. None	g. \$2,625.00
	b. None	h. \$1,900.00
	c. None	i. None
	d. None	j. None
	e. None	k. None
	f. \$1,100.00	l. None
[fol. 95]		
Section 136.	a. \$77.29	g. \$247.75
	b. \$66.92	h. \$134.25

	c. \$35.73	i. None
	d. \$64.06	j. None
	e. \$46.79	k. None
	f. \$158.99	l. None
Section 137.	a. \$77.29	g. \$2,872.75
	b. \$66.92	h. \$2,034.25
	c. \$35.73	i. None
	d. \$64.06	j. None
	e. \$46.79	k. None
	f. \$1,258.99	l. None
Section 138.	a. \$870.00	g. \$3,900.00
	b. \$1,040.00	h. \$3,900.00
	c. \$1,040.00	i. \$4,408.34
	d. \$1,040.00	j. \$5,216.66
	e. \$1,215.00	k. \$4,800.00
	f. \$1,900.00	l. None
Section 139.	a. None	g. None
	b. None	h. None
	c. None	i. \$98.75
	d. None	j. None
	e. None	k. None
	f. None	l. None
Section 140.	a. \$870.00	g. \$3,900.00
	b. \$1,040.00	h. \$3,900.00
	c. \$1,040.00	i. \$4,507.09
	d. \$1,040.00	j. \$5,216.66
	e. \$1,215.00	k. \$4,800.00
	f. \$1,900.00	l. None

Part V. *Connection between Preferred Life and First National Life*

Section 141. No.

Section 142. We know nothing of the First National Life Assurance Society's business in Alabama. This information can probably be obtained from that Company.

Section 143. Same as Section 142.

Section 144. See answer Section 141.

Section 145. Yes.

Section 146. Sometime in 1936. Exact date can be obtained from Department of Insurance in Atlanta, Georgia.

Section 147. We have no idea.

Section 148. See answer Section 147.

Part VI. Fraternal Workings of Preferred Life Assurance Society

Section 149.

[fol. 96] The subordinate lodges have been largely autonomous in their internal workings, and have changed their officers and locations from time to time, and the details of their operation prior to the year 1939 are not now available from the records of the Home Office of the Society. Defendant further says, on advice of counsel, that the detailed information concerning subordinate lodges called for is incompetent and immaterial to any substantial issues before the Court, and defendant objects, separately on said grounds, to each of said questions numbered 149 to 205 inclusive.

Further answering such questions in so far as they are relevant, defendant attaches hereto as Exhibit "A" a copy of report of Convention examination conducted of all the affairs of this defendant including its fraternal workings, and the relationship of its subordinate lodges, such examination having been conducted by the representatives of the States of Alabama, Mississippi and Tennessee pursuant to the requirements of the National Association of Insurance Commissioners.

Further answering, defendant attaches hereto as Exhibit "B" a list of all present subordinate lodges, their location and the names of the officers thereof.

Further answering, defendant hereto attaches as Exhibit "C" a list of the names and addresses of all organizers now employed by it.

Section 206. a. Yes.

b. Yes.

c. Yes.

Section 207. a.) In accordance with existing laws.

b.) By permission of the Commissioner of In-

c.) surance, the Society issues certificates to members without an examination within certain age limits. \$1,000 may be issued up through Age 40 for females and through Age 45 for males. All applica-

tions passed on by Medical Director after full private report received.

Section 208. No.

Section 209. None has ever received a dividend from the Preferred Life Assurance Society, but each member has been given extended and paid up insurance.

[fol. 97]

Section 210. a. \$59,372.77	g. \$414,827.74
b. \$105,932.85	h. \$452,475.54
c. \$147,742.10	i. \$492,802.38
d. \$218,915.50	j. \$511,087.10
e. \$277,997.70	k. \$527,088.18
f. \$353,925.63	l. \$566,164.37
Section 211. a. Society not or-	g. \$34,850.00
ganized.	h. \$72,800.00
b. \$4,750.00	i. \$72,477.27
c. \$4,000.00	j. \$88,231.30
d. \$20,550.00	k. \$75,054.84
e. \$42,000.00	l. \$72,394.64
f. \$34,000.00	m. \$79,076.62

Further answering, a complete statement of all items of receipts and all items of disbursements of defendant for the years 1937, 1938 and 1939 appear on pages 18 et seq. of the report of examination, a copy whereof is attached as Exhibit "C" to these answers.

[fol. 98] Preferred Life Assurance Society, by J. J. Warren, as Its Secretary.

Duly sworn to by J. J. Warren. Jurat omitted in printing.

[fols. 99-100] EXHIBIT "A"—To Defendants Answers to Plaintiff's Interrogatories

Report on Examination of the Preferred Life Assurance Society, Montgomery, Alabama, as of December 31, 1939

[fol. 101] Montgomery, Alabama, May 15, 1940.

Hon. Jess G. Read, Chairman, Committee on Examinations, National Association of Insurance Commissioners, Oklahoma City, Oklahoma.

Hon. Frank N. Julian, Superintendent of Insurance, Montgomery, Alabama.

Hon. John Sharp Williams, III, Commissioner of Insurance, Jackson, Mississippi.

Hon. Jas. M. McCormack, Commissioner of Insurance and Banking, Nashville, Tennessee.

Sirs:

In accordance with your respective appointments of authority, we have made an examination of the records and affairs of the Preferred Life Assurance Society, Montgomery, Alabama, as of December 31, 1939, and respectfully submit the following report:

History

The Preferred Life Assurance Society was organized and incorporated August 28, 1928 under, and by virtue of the provisions of Article 8 of Section #8439 of the Code of Alabama of 1923 and amendments thereto, as a fraternal benefit society, and was authorized to transact business in the State of Alabama on February 16, 1929. The Articles of Incorporation were filed for record in the office of the Judge of Probate of Montgomery County, Alabama, August 28, 1928, and are recorded in Book 10, Page 173, Corporation Record.

As of December 31, 1939, the Society was licensed and operating as fraternal benefit society, in the following states:

Alabama
Florida
Georgia

Louisiana
Mississippi
South Carolina

Tennessee

A fraternal benefit society is defined in Section #8439 of the Code of 1923, of the State of Alabama, as follows:

"Any corporation, society, order or Voluntary association, without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries, and not for profit, and having a lodge system with ritualistic form of work and representative form of government, and which shall make provision for the payment of

benefits in accordance with section 137 hereof, is hereby declared to be a fraternal benefit society."

Section 2 of Article 1 of the constitution of the Preferred Life Assurance Society reads, as follows:

Section 2.—Definition. Preferred Life Assurance Society is a fraternal benefit society without capital stock, organized and carried on solely for the mutual benefit of its members and their beneficiaries and not for profit, having a lodge system with ritualistic form of work and representative form of government."

Under date of May 16, 1932, the Society effected a merger with the Federal Life Insurance Society of Montgomery, Alabama. This merger was approved May 18, 1932 by the Superintendent of Insurance of the State of Alabama.

Corporate Records

The by-laws provide that the Supreme Lodge, or governing body, shall meet quadrennially. The minutes of these meetings are maintained in manuscript form, instead of the standard minute book record. These minutes were inspected and found to be properly recorded and officially signed.

The by-laws provide that the Board of Trustees shall meet quarterly. The Society maintains a regular minute book record of these meetings. This record was inspected and it was found that meetings are held regularly, as provided for, and the proceedings are properly recorded and officially signed.

Organization

The Constitution provides that the organized bodies of the Society shall consist of a supreme legislative body which is known as the "Supreme Lodge", and an unlimited number of subordinate bodies; each of which is known as a "Local Lodge."

All authority in the Society emanates from the Supreme Lodge, and all authority not specifically delegated by that body or conferred by the Constitution and Laws of the Society, is reserved to the Supreme Lodge. Authority is

delegated to the Board of Trustees, which is the executive body of the Society, to exercise all of the rights and powers [fol. 104] of the Supreme Lodge except the right to amend the Charter and Constitution.

At a meeting of the Supreme Lodge held April 26, 1930 the general management and control of the business and affairs of the Society was delegated to the Board of Trustees, with power by a three-fourth vote to amend the by-laws, subject, however, to the approval of the Supreme Lodge at the next quadrennial meeting. However, authority to raise or lower assessments and dues was not delegated to the Board of Trustees, but was expressly reserved to the Supreme Lodge.

The Constitution provides that the Supreme Lodge shall meet quadrennially on the second Friday in April, beginning with the year 1930, the meetings to be held in Montgomery, Alabama.

The original constitution provided that the first quadrennial meeting would be held four years from the date of the first meeting which was held April 26, 1930. The first quadrennial meeting was held May 25, 1934, at which meeting the present Constitution was adopted. The minutes of this meeting do not show that it was a called or adjourned meeting. Your examiners were informed that the meeting was merely postponed.

It is further provided that special sessions of the Supreme Lodge shall be called by the President of the Society: (a) when requested to do so by two-thirds of the chartered local lodges in good standing, provided that the expense [fol. 105] thereof shall be borne by the local lodges, (b) upon written request signed by a majority of the members of the Supreme Lodge; or (c) upon written request signed by all members of the Board of Trustees.

Section 1 of Article 4 of the Constitution, as amended, provides that the Supreme Lodge, as the supreme governing or legislative body, shall be composed of:

- a. The officers of the Society.
- b. The officers of the Supreme Lodge.
- c. The members of the Board of Trustees.
- d. The members of the Standing Committees, provided for in the Constitution.

e. The Elective Representatives, chosen by the members of the Society through the local lodges; provided, however, that the Elective Representatives shall constitute a majority in numbers and have not less than two-thirds of the votes or not less than the votes required to amend the Society's Constitution; and provided further that each officer of the Society, each member of the Board of Trustees, each member of Standing Committees and each duly Elected Representative, shall be entitled to one vote, but shall not vote by proxy.

Representatives to Supreme Lodge

Section 2 of Article X of the Constitution, as amended, provides that during the month of January preceding the regular quadrennial session of the Supreme Lodge, the Secretary of the Society shall notify the secretary of each local lodge the number of representatives to be elected, on the basis of one representative for each one thousand beneficial members, and one representative for each major fraction thereof, provision being made that the members of each state are entitled to at least one representative in the Supreme Lodge.

Section 3 of Article X provides that representatives to the Supreme Lodge from each of the several states shall be elected by the respective local lodges at their first regular meeting held during the month of February preceding the regular quadrennial session of the Supreme Lodge, and the result of these elections shall be certified to the Secretary of the Society.

In the preliminary report of June 30, 1939 attention was called to the inadequacy of the records of the Supreme Lodge and the absence of any records showing that the delegates thereto had been elected by the subordinate lodges and had been properly certified as required by the Constitution and By-Laws. Under the circumstances some doubt was cast upon the validity of the election of the trustees.

In order to remedy this situation and properly carry out certain recommendations of the Bureau of Insurance of the State of Alabama, it was requested that the Supreme Lodge be called into extraordinary session, to be constituted by representatives to be elected by the local lodges after due notice to each member of the time and place set for the election of the representatives, the elections to be held in strict conformity with the Constitutions and By-Laws. This

[fol. 107] meeting was held on January 15, 1940, at which trustees were elected in conformity with the Constitution and By-Laws. At this meeting the Supreme Lodge did by resolution ratify and approve all acts heretofore taken by the Supreme Lodge, the trustees and officers since the organization of the Society. An examination of the records of the Supreme Lodge and the local lodges indicates that the meetings and elections met fully the requirements of the Constitution and By-Laws.

Attention is directed to Subsection "e" of Section I of Article IV of the Constitution, as amended, pertaining to Elective Representatives to the Supreme Lodge. It is provided in that sub-section that the Elected Representatives shall constitute a majority in number and have not less than two-thirds of the votes or not less than the votes required to amend the Constitution. It is further provided that each officer of the Society, each member of the Board of Trustees, each member of Standing Committees and each duly Elected Representative, shall be entitled to one vote, but shall not vote by proxy.

At the meeting of the Supreme Lodge held in 1938, there were recorded as being present, eleven elected representatives and seven officers and trustees. Included in the eleven representatives present, were two trustees. In other words there were members of the Supreme Lodge present, who were Elected Representatives and at the same time were also officers of the Society, and as such, were entitled to [fol. 108] vote either as Elected Representative or as an officer. The by-laws are not clear as to whether, under such circumstances, it is intended that the same person may vote in two capacities. In any event a conflict of interest might arise so that the trustee would not truly represent the lodges, and for this reason, it might be desirable to amend the by-laws so that a trustee or officer would not be eligible to be an elected delegate.

Local Lodges

The following are extracts from the Constitution and laws of the Society with respect to local lodges:

Constitution, Article V., Section 1

"Status and Purpose of Local Lodge. For the purpose of administration, the perpetuation of a representative

form of government and the development of the moral, social, intellectual, patriotic and ritualistic features of the Society, subordinate organized bodies known as 'Local Lodges' may be chartered and instituted by the Society under such restrictions and with such powers and duties as are hereinafter provided for or as may be from time to time prescribed by the Supreme Lodge or the Board of Trustees in conformity with the Constitution and Laws of the Society; but the Society is in no manner responsible for the acts of such local lodges or their officers. The local lodge is the unit through which the ritualistic, educational, social and welfare work of the Society is carried on. There shall be as many local lodges chartered as, in the opinion of the Board of Trustees is necessary to further the best [fol. 109] interests of the Society and its members."

Laws, Chapter I, Sec. 3

"Beneficial Membership. Beneficial membership shall not be granted to anyone who is younger than sixteen years (except members of the Juvenile Department) or older than sixty years of age at nearest birthday at date of application. The age of a new member shall be figured from the date upon which the application was made. Every applicant for beneficial membership must be an acceptable white person not engaged in any immoral or prohibitive occupation or profession. Each applicant must make application on forms prescribed for this purpose, must subscribe to the obligation required of all members of the Society, must agree to present himself to his lodge for initiation, and must submit to a medical examination, where required by the laws of the State of member's residence, and when required by the Medical Director."

Laws, Chapter II, Sec. 4

"Forms and Conditions. Every application must be upon the form prescribed by the Board of Trustees and the applicant must be recommended by at least three beneficial members of the Society."

Laws, Chapter IX, Sec. 57a

"Local Lodges, When Instituted. Lodges may be organized subject to the approval of the Board of Trustees when

twenty-five eligible white persons may denote their willingness to conform to the laws of the Society. Lodges shall have control of their local affairs, but shall have no authority [fol. 110] to make contracts, waivers, representations, or agreements binding upon the Society. The form of petition for charter shall be prescribed by the President, and shall be signed by twenty-five applicants of good physical, moral and mental qualifications. No lodge shall be formed until the requisite number of policyholders have been accepted and the laws of the Society complied with. The organizers, before instituting a lodge, shall explain the duties of the officers, and shall install and instruct them and exemplify the secret work. He shall explain the requirements as to remittance of premiums and the adoption of the by-laws. Charters shall not be closed to lodges in towns having a population of 2,000 or less until 50 policyholders are in good standing; nor in towns having more than 2,000 or less than 5,000 population until 100 policyholders are in good standing; nor in towns with over 5,000 or less than 20,000 population until 200 policyholders are in good standing; nor in towns of more than 20,000 population until 300 policyholders are in good standing, without the consent of the organizers or salesman, provided he continues to solicit policyholders in said town or city."

Laws, Chapter IX, Sec. 58a

"Charter Members Defined. Charter members shall consist of those members necessary to be enrolled as members at a local lodge at its installation and such members shall be considered as duly elected, initiated and admitted to membership in accordance with the Constitution, laws, rules and [fol. 111] regulations and prescribed ritualistic ceremonies of such local lodge when enrolled as members of the local lodge and have signed the following obligation:

"I will assume all ritualistic obligations of the Society and give my pledge not to reveal them to anyone not entitled to receive them, and at the first opportunity I will present myself to the lodge mentioned in my application for initiation into the secret work of the Society, and *whether or not I am a charter member I shall abide by all laws of the Society regarding initiations and initiatory ceremonies.*"

Laws, Chapter X, Article III.

"This lodge shall be opened at the time prescribed in its by-laws if five members who are in good standing are present. Not less than that number shall constitute a quorum for the transaction of the business of the lodge. The Vice-Grand Commander shall preside at all meetings but, in his absence, the Vice-Grand Master shall preside, and if both should be absent, the next ranking officer shall preside."

Laws, Chapter X, Article VII.

"The officers of this lodge shall be chosen by ballot by a majority of all votes cast, except that where there is but one candidate nominated, the Vice-Grand Commander may declare the candidate elected by consent. If no choice is had after two ballots, the candidate receiving the least number of votes shall be dropped at each unsuccessful ballot and no ballot shall be considered a part of the poll unless cast for a previously nominated candidate."

[fol. 112] *Laws, Chapter X, Article VIII.*

"When an election is held to fill an office in this lodge, the presiding officer shall appoint two members to act as tellers and the election shall be conducted in a just and impartial manner; a register of the votes polled shall be kept, and should it appear that more votes have been polled than there are legally qualified voters present, the presiding officer shall declare the ballot illegal and void, and direct another ballot to be taken immediately; members voting shall then hand their ballots to the tellers, each giving his name, and the tellers shall deposit the ballots in the poll."

Your examiners fail to find any provisions in the Constitution or laws of the Society requiring an applicant for beneficial membership to be elected as a member of a local lodge and there are no specific provisions governing the election of members to local lodges.

In the preliminary report as of June 30, 1939, based upon an investigation of the lodge system and records, the examiners set out a number of findings tending to show that the fraternal features of the society were not being carried out in conformity with the definitions set out in the laws governing them, and expressed their doubts that the Society

was then being operated as a bonafide fraternal benefit society.

Your examiners now find that there are in existence and functioning twenty lodges, located in the following States:

[fol. 113] Alabama	5
South Carolina	4
Mississippi	4
Georgia	4
Louisiana	3
	<hr/>
Total	20

These lodges have regular times and places for meeting, have elected their own officers and committees, regularly ballot on applications for membership, and have records of candidates voted on and initiated, as well as of other proceedings of the lodges. Members are notified by post card in advance of the meetings. There is a follow-up on members who do not present themselves for initiation, and an effort made to have them present themselves for that purpose. The applications for lodge membership originate at the subordinate lodge instead of the Home Office, and the policy applications reaching the Home Office now appear to indicate a selection of the lodge by the member himself. Membership records of lodges are now kept in the local lodges as well as the Home Office. All present officers of subordinate lodges appear to have been regularly elected by the members thereof without suggestions from the Home Office.

We examined into the election of representatives to the extraordinary meeting of the Supreme Lodge held on January 15, 1940, and found that each subordinate lodge was advised through its Eminent Recorder of the time and place of the meeting, and the number of representatives to be [fol. 114] voted upon, requesting that the delegates be elected at the regular meeting in December, 1939. The necessary credential forms for certifying the representatives to the Supreme Lodge were enclosed. In addition, each member was notified by the Home Office of the time and place of the regular meeting, calling attention to the fact that the member was entitled to vote for the election of representatives to the Supreme Lodge meeting to be held January 15,

1940. The minutes and records of the subordinate lodges indicate that the by-laws were strictly complied with in the election of the representatives.

It is the opinion of your examiners that the Society is now meeting all reasonable requirements for a lodge system with ritualistic form of work and a representative form of Government.

Officers

The officers of the Society are elected by the Supreme Lodge at each regular quadrennial session thereof, and hold office until the next ensuing regular quadrennial session of the Supreme Lodge and until their successors are duly elected and installed.

At the third quadrennial meeting of the Supreme Lodge held April 15, 1938, the following were unanimously elected as officers of the Society for ensuing quadrennial period:

Name	Title
J. E. Justice	President
M. M. Longshore	Sec. Treasurer
J. J. Warren	Asst. Secretary

[fol. 115] At a meeting of the Board of Trustees held on December 2, 1939, the resignation of Mrs. M. M. Longshore as Secretary-Treasurer was tendered and accepted. At the same time J. J. Warren was elected Secretary and A. F. Whiting was elected Treasurer.

Board of Trustees

The Board of Trustees, which is the Executive Body of the Society, is composed of the President and the Secretary of the Society, and five Trustees duly elected by the Supreme Lodge at each regular quadrennial session and hold office until their successors are elected and qualified.

At the third quadrennial meeting of the Supreme Lodge held April 15, 1938, the following were unanimously elected members of the Board of Trustees:

R. D. Carlton	J. J. Warren
A. D. Merchant	S. H. Longshore
W. Guy Longshore	J. E. Justice
M. M. Longshore	

At the extraordinary meeting of the supreme lodge held January 15, 1940, the following were elected as trustees:

Joseph E. Justice	S. H. Longshore
J. J. Warren	R. D. Carlton
A. F. Whiting	A. D. Merchant
W. G. Longshore	

The Board of Trustees meets quarterly in the office of the President on the first or second Saturday of March, June, September and December at such hour as may be determined by the President or a majority vote of the Trustees.

[fol. 116]

Fidelity Bonds

The following officers and employees are bonded by schedule fidelity bond issued by a surety company licensed to transact business in the State of Alabama:

J. E. Justice, President	\$ 5,000.00
A. F. Whiting, Treasurer	25,000.00
S. H. Longshore, General Manager	25,000.00
J. J. Warren, Secretary	25,000.00
Eunice Stough, Cashier	2,000.00
Edeelene Tucker, Bookkeeper	2,000.00
48 other Cashiers and Organizers	
\$1,000.00 each	48,000.00

Total	\$132,000.00
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Organizers' Contracts and Commissions

Executed contracts for organizers were submitted and were carefully examined. These contracts provide for commissions on first year premiums ranging from 35% to 70%. The commission paid for Contingent Endowment contracts is 60% except for a few cases in which the commission is 40% and 50%. A 5% commission for ten years is provided for renewal premiums on all contracts except 5 and 10 Year Convertible Term, conditioned on the production of a minimum of \$100,000.00 per year. The organizers are required to furnish a fidelity bond in the sum of \$1,000.00.

Scope of Examination

The last regular departmental examination of this Society was made by representatives of the Alabama, Louis-

iana, Mississippi and Tennessee Insurance Departments as of December 31, 1936. A special examination was made by the Alabama, Mississippi and Tennessee Departments covering the period from January 1, 1937 to and including June [fol. 117] 30, 1939, and a preliminary report rendered thereon. This examination reviews the preliminary report, notes the measures taken by the Society to remedy the matters to which exception was taken therein, and completes the examination for the three year period ended December 31, 1939.

The following verifications and tests were made during the course of the examination:

1. Income from premiums or assessments was satisfactorily test checked for selected periods.
2. Income from investments and other sources was satisfactorily checked and verified for the period covered by this examination.
3. Cash disbursements were checked as to amount and satisfactorily as to allocation to expense and other accounts for selected periods.
4. General ledger entries were substantially test checked to books of original entry for selected periods in 1937 and 1938, and checked complete for the twelve months ending December 31, 1939.
5. Office copies of the annual statements filed with the State Insurance Departments for the years 1937, 1938 and 1939 were checked to the general ledger through ledger assets and found to be in agreement or reconcilable therewith.
6. All assets were verified and liabilities established by use of methods accepted as standard which are set forth more fully in comments following the financial statement.
7. A thorough inspection was made of all transactions of any importance occurring during the period covered by this examination.

The following financial statement shows the income and disbursements for the past three calendar years, and the assets, liabilities, and unassigned funds at the close of business on each respective year:

Financial Statement

At Close of Years as Indicated

	1937	1938	1939
Balance from Previous Year.....	\$578,073.95	\$714,412.46	\$883,284.53
Income:			
Membership Fees.....	9,185.00	8,815.00	10,471.00
First Year's Assessments or Premiums.....	79,071.26	67,129.86	78,712.33
Other Assessments or Premiums.....	365,153.17	379,942.11	388,155.84
Medical Examiners Fees.....	4,406.00	4,216.00	5,206.00
Total.....	457,815.43	460,102.97	482,545.17
Reinsurance Premiums Received.....	10,199.79	15,746.56	11,455.96
Total.....	468,015.22	475,849.53	494,001.13
Reinsurance Paid.....	1,352.34	2,986.07	5,310.45
Net Premiums Received.....	466,662.88	472,863.46	488,690.68
Interest on Mortgage Loans.....	3,071.29	3,915.12	4,757.14
Interest on Bonds less.....	15,106.67	24,317.53	25,551.25
Accrued interest on Bonds Purchased.....	252.34	277.26	237.49
Interest on Bank Deposits.....	152.05	161.64	265.67
Interest from other sources.....	6,000.00	6,000.00	6,900.00
Rent on Society's property.....	164.61	309.22	219.95
Profit Sale of Bonds.....	40.20	256.80	246.00
Dividends on Stocks.....			
Total Income.....	491,450.04	508,101.03	526,868.18
Total.....	\$1,009,523.99	\$1,222,513.49	\$1,410,152.71

[fol. 119]

Balance Brought Forward.....	\$1,069,523.99	\$1,222,513.49	\$1,410,152.71
Disbursements:			
Death Claims.....	45,094.75	33,750.00	32,973.64
Contingent Endowment Claims.....	39,000.00	32,000.00	33,000.00
Surrender Values.....		635.08	
Adjusted Claims.....	1,136.55	1,169.76	1,310.00
Reinsured Claims.....	3,000.00	7,500.00	9,780.00
Total Benefits Paid.....	88,231.30	75,054.84	77,063.64
Less Reinsurance.....			4,899.00
Policy Loans Cancelled by Lapse.....	88,231.30	75,054.84	72,174.64
Commissions and Fees Paid Organizers, Officers and Trustees.....	131.62		454.00
Salaries, Officers and Trustees, Except Commissions.....	117,131.47	99,210.05	111,307.36
Salaries Office Employees.....	23,380.00	24,650.00	23,906.66
Medical Examiners Fees and Inspections.....	20,784.80	21,600.96	21,266.11
Traveling and Other Expenses, Officers, Trustees and Com- mittees.....	6,147.08	6,187.68	6,629.25
Collection and Remittance Assessments and Dues.....	1,081.50	1,042.00	3,048.78
Insurance Department Fees and Expenses.....	9,649.77	523.32	482.10
Rent—Occupancy of our Building.....	3,080.42	317.50	3,497.20
General Office Maintenance and Expense.....	6,000.00	6,000.00	6,900.00
Advertising, Printing and Stationery.....	521.69	520.25	460.04
Postage, Express, Telegraph and Telephone.....	11,423.69	8,624.43	9,680.27
Lodge Organization Expense.....	6,356.13	6,311.33	6,693.26
Legal Expense in Litigating Claims.....	3,052.61	2,266.07	9,178.86
Other Legal Expenses.....	751.70	2,150.50	1,257.36
Furniture and Fixtures.....	2672.41	150.00	5,373.32
		205.73	3,202.43

	1937	1938	1939
Taxes, Repairs, Etc., Real Estate.....	1,996.90	2,888.16	3,033.56
Lodge Meeting Expense.....	.....	649.39	2,134.40
Automobile Expense.....	.....	5,082.04	4,404.98
[fol. 120]			
Exchange.....	239.77	166.18	181.87
Organizers Balance Charged Off.....	12,275.48	10,066.62	10,258.14
Social Security Taxes, Etc.....	4,264.24	5,085.29	4,224.81
Miscellaneous Expense.....	2,288.45	1,972.30	1,654.69
Branch Office Expense.....	32,763.80	36,385.23	39,996.71
Other Taxes.....	.....	28.75	.....
Loss Sale of Bonds.....	58.70	154.85	47.50
Field Supervision and Traveling Expense.....	828.00	21,935.49	18,620.84
Decrease in Book Value of Real Estate.....	.....	.....	221.34
Furniture and Fixtures Charged Off.....	.....	.....	8,001.29
Total Disbursements.....	<u>\$355,111.53</u>	<u>\$339,228.96</u>	<u>\$378,231.99</u>
Balance.....	<u>\$714,412.46</u>	<u>\$883,284.53</u>	<u>\$1,031,920.72</u>
Ledger Assets:			
Book Value of Real Estate.....	\$45,000.00	\$45,000.00	\$67,500.00
Mortgage Loans on Real Estate—First Liens.....	52,386.40	76,972.39	123,053.31
Loans and Liens on Certificates of Members.....	1,413.00	2,010.00	3,300.47
Book Value of Bonds.....	490,533.36	603,632.09	667,938.45
Book Value of Stocks.....	2,125.00	4,885.00	4,885.00
Cash in Office.....	170.00	170.00	160.00

Deposits in Banks and Trust Companies

Not on Interest.....	34,273.91	96,770.61	110,626.71
On Interest.....	23,472.09	8,780.06	15,017.53
Premium Notes.....	9,986.38	10,575.85	12,526.60
Warrants.....	322.78	312.78	264.90
Organizers Balances, Net	21,362.87	21,527.64	21,581.84
Returned Checks.....	202.06	251.82	265.89
[fol. 121]			
Special Deposits.....	45.00	45.00	50.00
Automobiles.....	5,000.00	4,350.00	4,750.00
Furniture and Fixtures.....	7,914.61	8,001.29	
Bills Receivable.....	225.00		
Total Ledger Assets.....	<u>\$714,412.46</u>	<u>\$883,284.53</u>	<u>\$1,031,920.72</u>

Non-Ledger Assets:

Interest Accrued on Mortgages.....	1,070.62	1,320.19	1,902.25
Other Interest Due and Accrued.....		80.92	
Other Accrued on Bonds.....	4,947.84	3,302.00	3,408.62
Interest Accrued on Bank Deposits.....	209.68		94.98
Market Value Bonds over Book Value.....	25,997.43	40,241.30	50,112.19
Collections of Branch Offices Unreported.....		4,392.18	
Net Due and Deferred Premiums.....		8,405.42	6,144.70
Market Value Stocks over Book Value.....		35.00	855.00
Total Non-Ledger Assets.....	<u>\$32,225.57</u>	<u>\$57,777.01</u>	<u>\$62,517.74</u>
Gross Assets.....	<u>\$746,638.03</u>	<u>\$941,061.54</u>	<u>\$1,094,438.46</u>

Deduct Assets Not Admitted

	1937	1938	1939
Organizers Debit Balances	\$23,235.43	\$23,937.08	\$24,074.39
Warrants	322.78		204.90
Special Deposits	45.00	45.00	
Returned Checks	202.06	251.82	265.89
Automobiles	5,000.00	4,350.00	4,750.00
Furniture and Fixtures	7,914.61	8,001.29	
Decrease Book Value Mortgages			5,791.74
(fol. 122)			
Premium Notes and Policy Loans lapsed or in excess of Reserves	3,767.36	3,064.43	3,746.82
Bills Receivable	225.00		
Total Assets Not Admitted	\$40,712.24	\$39,649.62	\$38,833.74
Total Admitted Assets	\$705,925.79	\$901,411.92	\$1,055,604.72

Liabilities:

	1937	1938	1939
Death Claims	1,000.00	3,000.00	3,000.00
Contingent Endowment Claims	1,000.00	3,000.00	3,000.00
Death Claims Resisted			
Claims Adjusted			
Travel and Pedestrian Claim			1,100.00
Total Claims	2,000.00	6,000.00	7,100.00
Salaries, Rents, Accounts, Etc., due and accrued	2,872.30	2,516.60	1,827.22
Advance Assessment or Dues		6,038.49	4,330.02

Taxes Due or Accrued.....	181.95	106.25	1,447.75
Policy Reserves (American Experience 3½% F.P.T.).....	508,454.00	636,570.00	779,765.00
Total Liabilities.....	\$513,508.25	\$651,231.34	\$794,469.99
Unassigned Funds.....	192,417.54	250,180.58	261,134.73
Totals.....	\$705,925.79	\$901,411.92	\$1,055,604.72

[fol. 123] Comments on Financial Statement

Inasmuch as the annual statement filed with the Department for the years 1937 and 1938 were found to be in agreement or reconcilable with the Society's records, comment on these statements is not deemed necessary.

Comments pertaining to the financial statement for the year 1939 are confined to items and accounts which, in the opinion of your examiners, warrant explanation or analysis.

Income and Disbursements

The items found under the above caption are those usually found in a business of this kind, no unusual items being found.

The cash disbursements for the year 1939 were checked complete and found to be properly supported by cancelled checks or vouchers and were further tested by reference to statements and other supporting data in the Society's files, and the items were found to be valid obligations of the Society.

The books and records of the Society, while complete and accurate, are so maintained that information required by your examiners was not readily obtainable. In the interest of efficiency and economy in operation, a modern up-to-date system should be installed.

Real Estate \$67,500.00

This item comprises the home office of the Society located at 221 South Court Street in the City of Montgomery, Ala-
[fol. 124] bama. The realty is improved with a three story colonial type brick building to which has recently been added a two story brick annex with executive offices on the lower floor and an assembly hall on the second floor.

The lot on which the building is situated is approximately 125 feet wide and 140 feet deep, adjoining an inside lot on the rear approximately 150 feet by 72 feet. The property is in an excellent state of repair. It is within a few blocks of the downtown business district and is well located for its purpose.

The property was acquired in 1932 for the sum of \$40,000.00. At that time it was appraised by three real

estate agents at \$45,000.00 and was set up on the Society's books at that figure. The documents of title were examined.

During 1939 the sum of \$22,721.34 was expended in adding an addition to and otherwise improving the property. These expenditures were examined and found to be proper. The property is shown in this report at \$67,500.00, representing the appraised value at time of purchase and the improvements as above stated, less \$221.34 written off to reduce to even figures.

Insurance is carried on the building in the sum of \$29,500.00 and on the contents amounting to \$7,000.00.

The income from the property was \$6,900.00 for 1939, represented by the value assigned for home office use. A statement of the gross and net earnings of the property is afforded in the following statement:

[fol. 125].

	1937	1938	1939
Rental Value assigned to Home Office use...	\$6,000.00	\$6,000.00	\$6,900.00
Expenses: Insurance, repairs, and taxes...	1,996.90	2,578.16	2,961.56
Net Income	\$4,003.10	\$3,421.84	\$3,938.44
Mortgage Loans			\$123,053.31

This consists of thirty-three loans with the above book value classified as follows:

State	City		Farm and Timber Lands		Total	
	No.	Amount	No.	Amount	No.	Amount
Alabama.....	24	\$100,034.41	7	\$17,418.90	31	\$117,453.31
Florida.....	..	..	1	5,000.00	1	5,000.00
Mississippi.....	1	600.00	..	..	1	600.00
Totals.....	25	\$100,634.41	8	\$22,418.90	33	\$123,053.31

Two of the above loans (total \$7,000.00) are actually collateral loans with assigned mortgages attached, which are carried in Mortgage Loan Account.

With the exception of two loans (total \$1,118.90) all necessary supporting documents—appraisals, abstracts, attorney's opinion of title, the required amount of insurance payable to the Society, etc. were found in the files accompanying these mortgages.

Evidence of payment of taxes on the properties involved was not available but in view of the fact that none were in default as to principal or interest, this was not required by your examiners. The major amount of the mortgages are

on property in Montgomery County, Alabama, and their officers informed us that as to these, tax payments were verified.

[fol. 126] Accrued interest as of December 31, 1939 in the amount of \$1,902.25 is shown as a "Non-Ledger Asset."

Under "Assets Not Admitted" is included \$5,791.74, representing the amounts of two loans in excess of fifty per cent of appraised value submitted.

The following show the yield derived from the mortgages of the Society during the period covered by this examination:

1937	6.55%
1938	6.44%
1939	5.45%
3 years	6.01%

Book Value of Bonds \$667,938.45

The following is a summary showing a classification of the bonds owned by the Society:

Kind	Book Value	Par Value	Market Value
United States.....	\$75,058.74	\$74,700.00	\$79,560.01
Home Owners' Loan Corp.....	7,041.88	7,000.00	7,041.88
Dominion of Canada.....	952.50	1,000.00	1,013.75
State.....	351,534.80	340,000.00	389,375.00
County and Municipal.....	212,525.53	208,000.00	220,135.00
Public Utility.....	4,825.00	5,000.00	4,925.00
Miscellaneous.....	16,000.00	16,000.00	16,000.00
Totals.....	\$667,938.45	\$651,700.00	\$718,050.64

All of the bonds were in a safety deposit box in the vaults of the Alabama National Bank of Montgomery, Ala-
[fol. 127] bama, where they were inspected by your examiners in the presence of the General Manager and Secretary, which officers are authorized to have access to the safety deposit box containing the securities of the Society.

With the exception of Bonds of the United States, practically all of the securities are obligations of the State of Alabama and its political subdivisions.

In view of the nature of this asset and the fact that many issues are not quoted in the valuations promulgated by the National Association of Insurance Commissioners for the purposes of this examination, your examiners have used valuations obtained from two reputable investment dealers

in the City of Montgomery, Alabama. This result in a market value over book value of \$50,112.19, which amount is included under "Non-Ledger Assets."

None of these bonds were in default as to principal or interest.

Accrued interest on December 31, 1939 was \$3,408.62 which is also shown under "Non-Ledger Assets."

The following shows the book value of bonds at the end of 1937, 1938 and 1939, the period covered by this examination.

Book Value December 31, 1937	\$490,533.36
Book Value December 31, 1938	603,632.09
Book Value December 31, 1939	667,938.45

The Book Value of its bonds represents also the purchase price, no adjustments having been made on account of change in value or by amortization.

[fol. 128] Yield on the average book value for the past three years is as follows:

1937	3.86%
1938	3.93%
1939	3.88%
3 years	3.90%

Book Value of Stocks \$4,885.00

Stocks owned by the Society at December 31, 1939 consist of 410 shares of common stock of the Alabama National Bank, Montgomery, Alabama, of a par value of \$10.00, and carried at a book value of \$4,885.00. Quotations received from reputable brokers, show a market value of \$14.00 per share, resulting in a market value over book value of \$855.00 which is admitted as a non-ledger asset. The stock has paid 6% dividends regularly since its acquisition.

Policy Loans \$3,300.47

This item represents loans made by the Society on its policies assigned as collateral and was reconciled in detail with the ledger control account as of December 31, 1939. Verification was accomplished by listing the loan agreements in force as of that date and checking against the individual ledger cards. Comparisons were made to premium ledger sheets and reserve tables to determine if the policies

were in force and the values therein were in excess of the amount loaned. Excesses amounting to \$284.52 are deducted as assets not admitted.

[fol. 129] The Society does not make a practice of collecting interest in advance on policy loans. For this reason, your examiners have not allowed any credit for accrued interest thereon.

Cash \$125,804.26

This item consists of the following:

Cash in office	\$160.00
Deposits in banks not on interest	110,626.71
Deposits in bank on interest	15,017.55
Total	\$125,804.26

On the \$160.00 shown as cash in the office, \$80.00 of this sum represents petty cash in the home office and was verified by actual count. The remaining \$80.00 represents cash advanced and charged to branch offices to be used as petty cash. As the cashiers in the branch offices are under bond this sum is amply secured and is admitted as a ledger asset.

The cash in banks was verified by certificates received from the depositories and reconciled with the Society's books. Of the total deposits in banks \$15,017.55 is represented by certificates of deposit and savings account books, bearing interest.

Accrued interest on bank deposits amounting to \$94.98 is admitted as a non-ledger asset.

Premium Notes \$12,526.60

The notes were examined and proved against the general ledger. The notes do not carry a policy lien on their face, but inasmuch as the policy forms contain a lien provision [fol. 130] for any indebtedness, we have admitted the amount of such notes as are supported by an adequate reserve, but have treated notes amounting to \$3,462.30 which are not supported by reserves as non-admitted assets.

Warrants \$264.90

Warrants in the principal amount as stated above are in the company's vault at the Home Office, and were inspected.

One of the warrants is an interest bearing obligation of Conecuh County, Alabama for \$60.00 with interest coupons attached, and is current as to both principal and interest. We are treating this item as an admitted asset.

The remaining items are school warrants issued by Mississippi counties and all are several years old. They bear no interest. We were informed by one of the officers of the company that these Counties have made no provision for their payment and that ultimate realization thereon is doubtful. We are therefore treating amount of \$204.90 as non-admitted assets.

Organizers' Balances—Net \$21,581.84

A trial balance of the organizers ledger disclosed gross debit balances of \$24,074.39 and credit balances of \$2,492.55, resulting in a net debit balance of \$21,581.84. Analysis of individual accounts disclosed the balances represent such items as advances to organizers secured by future commissions and net premiums charged to organizers. It was also noted that the Society sold automobiles, owned by it, to organizers, taking a note for the amount of the sale, which is charged to the individual in the or-[fol.131] ganizers ledger, special account.

During the year 1937 the Society charged off the sum of \$12,275.48, in 1938 the sum of \$10,066.62, and in 1939 the amount of \$10,258.14 of organizers' debit balances.

In accordance with the convention blank requirements, the gross debit balance of \$24,074.39 is deducted as assets not admitted.

Special Deposits \$50.00

This item represents cash with the Power and Light Company to secure the payment of the monthly bills and is deducted as assets not admitted.

Other Ledger Assets \$5,015.89

This item consists of the following:

Returned checks	\$ 265.89
Automobiles	4,750.00
Total	<u>\$5,015.89</u>

These items are deducted as assets not admitted.

Non-Ledger Assets

Net Premiums Due \$6,144.70

The net due premiums on business in force amounted to \$6,144.70, for which due credit has been given under "non-Ledger Assets."

Inasmuch as other non-ledger items have been commented on in connection with related ledger assets, further comment is not deemed necessary.

[fol. 132] Deduct Assets Not Admitted

All items of assets not admitted, having been commented on under other captions, further comment is not required.

Liabilities

Death Claims \$7,100.00

As of December 31, 1939 the Society had four unpaid death claims amounting to \$4,100.00. As three of the policies on which these claims were incurred were Contingent Endowment certificates, there was an additional liability of \$3,000.00 for the living members. The remaining claim was under a travel and pedestrian policy, originally for \$2,400.00, which was compromised for \$1,100.00.

Salaries, Rents, Expenses, Commissions, Etc.

Due or Accrued \$1,827.22

This liability is composed of all unpaid items of the nature indicated as of December 31, 1939. The amount of this liability was determined from all accounts due on December 31, 1939 and paid subsequent to that date as well as unpaid amounts which accrued to the Society prior to that date.

Advance Payments or Assessments \$4,330.02

The above payments or assessments at December 31, 1939 were scheduled and the total thereof found to be \$4,330.02, for which sum a liability is shown on the financial statement.

Taxes Due or Accrued \$1,447.75

This item represents the amount of property, Social Security and Unemployment Compensation taxes due or accrued as of December 31, 1939. The amount was verified by [fol. 133] reference to the subsequent payment of the tax.

Policy Reserves and Premiums Paid in Advance \$779,765.00

The Policy Reserves of the Society were computed by the Actuary for the Alabama Insurance Department, using statistical information furnished by the Society.

The certificates of the Society are valued on the American Experience Table of Mortality with interest assumption of $3\frac{1}{2}\%$, First Year Preliminary Term.

An extensive test check of the records in this connection was made by your examiners, which also covered the liability of premiums paid in advance. While some minor errors were disclosed, their approximate accuracy was established.

Approximately eighty per cent of the insurance written has been issued on a plan known as "Preferred Life Endowment." This plan provides for maturity of certificate as Contingent Endowment, or as an Old-Age Endowment which shall occur on the day the Assured attains the age of seventy years.

For the purpose of Contingent Endowment all certificates which participate therein are grouped in divisions of twenty-five according to the age of the insured at time of issue of certificate. The certificate holders of each division are numbered from one to twenty-five, inclusive. Number one is the certificate holder who has been in his division the longest period of time and who shall receive the Contingent Endowment at the time the Society experiences a mortality loss among its members under a Certificate in [fol. 134] force in the same class and division. In the event of the death of a member holding the number one position, number two receives the Contingent Endowment.

The Society maintains one class for each age from sixteen to fifty-five, inclusive, and each class may have twenty-five divisions. In the addition there are classes with a varying number of divisions with the prefix "F", originating from the business of the Federal Life Insurance Society which was taken over during the year 1932. The maximum number of members for any division is twenty-five.

As applications for Preferred Life Endowment plan are received they are stamped to record the day and hour, and the lowest position open in any division of the applicant's class or age group is then assigned to the applicant.

The certificates issued on the Preferred Life Endowment plan do not provide for a Cash Surrender or Loan Value. The majority of these certificates now issued provide for

automatic paid-up values after premiums for three full years have been paid. At the meeting of the Supreme Lodge held January 15, 1940, the Trustees were authorized to provide paid-up values and extended insurance for those certificates on the Preferred Life Endowment plan not theretofore having such provisions. These values are provided for all certificates now in force, effective May 1, 1940, and endorsements are now being attached by a field force specially designated to handle the matter.

The Society also issued the regular standard forms. The following is a summary of insurance in force by plans and by States:

[fol. 135]

By Plans	Amount
Preferred Life Endowment	\$9,839,000.00
Ordinary Life	202,750.00
Twenty Payment Life	110,250.00
Endowment at 85—C. P.	93,100.00
Endowment at 85—20 Pay	84,000.00
Miscellaneous Plans	192,000.00
One Year Renewable Term	1,622,000.00
Total	\$12,143,100.00

By State	Policies in Force	
Alabama	5,219	6,274,250.00
Georgia	1,314	1,413,750.00
Florida	70	73,500.00
Louisiana	1,388	1,774,500.00
Mississippi	855	901,000.00
South Carolina	1,393	1,459,000.00
Tennessee	191	247,100.00
Total	10,430	\$12,143,100.00

Unassigned Funds \$261,134.73

As shown in the foregoing financial statement, the unassigned funds of the Society on December 31, 1939 amounted to \$261,134.73, an increase of \$10,954.15 over that shown by the Society on December 31, 1938.

Underwriting

The maximum retention by the Society on one life is Five Thousand Dollars, the excess being reinsured.

Risks are accepted at ages 16 to 55.

Non-medical policies are written to age 40 on female lives and age 45 on male lives, if acceptable to its underwriter.

Double Indemnity risks are fully reinsured.

Practically all substandard risks are reinsured in full.

[fol. 136] An examination of numerous accepted and rejected applications was made, which indicate that sound methods are used by its underwriter and medical examiner. This is also reflected in the mortality experience of the Society.

Handling of Claims

Policy claims of the Society appear to have been paid promptly and fairly, no claims having been resisted or compromised without sufficient cause.

Reinsurance Written

This Society accepts total reinsurance on a portion of the risks written by First National Life Assurance Society of Atlanta, Georgia, a fraternal organization of similar nature. Practically all of this reinsurance covers risks on Contingent Endowment contracts in the amount of \$2,000.00, \$1,000.00 of which applies to the policyholder whose application is submitted for approval and \$1,000.00 to be paid to an unnamed living policyholder determined according to the terms of the policy contract, in the event of the death of the risk reinsured.

This reinsurance is written on the usual yearly term basis at the attained age, the amount of such reinsurance being reduced as the policy reserves accumulate.

It appears that it has been a profitable business, as shown by the following result of operations for the years 1937, 1938 and 1939:

Earned Premiums	\$36,707.52
Losses Incurred and Paid	12,780.00

[fol. 137]

Reinsurance Ceded

Under the terms of a reinsurance agreement with the Lincoln National Life Insurance Company of Fort Wayne,

Indiana, dated May 8th, 1936, the Society reinsures certain of its risks with that company.

This agreement contains the customary provisions as to yearly renewable term insurance at attained age, reduction of risk by amount of accumulated reserves, schedule of rates, etc.

The following shows the operation of this agreement during the period covered by this examination:

	Premiums Paid	Losses Covered
1937	\$1,352.34	None
1938	2,986.07	None
1939	5,310.45	4,889.00
	<hr/> 9,648.86	<hr/> 4,889.00

Premiums are paid on an annual basis, and approximately fifty per cent of premiums paid for 1939 were unearned as of December 31, 1939.

Compensation of Officers and Trustees

There is set out below a schedule of the salaries and commissions paid to officers and trustees for the past three years:

1937		
Name	Title	Amount
Joseph E. Justice	President and Trustee	\$15,074.31
M. M. Longshore	Secretary-Treasurer and Trustee	4,507.09
J. J. Warren	Assistant Secretary and Trustee	4,453.21
[fol. 138]		
S. H. Longshore	General Manager and Trustee	38,873.52
F. M. Phillippi	Actuary	4,130.00
A. D. Merchant	State Manager, La., and Trustee	11,061.10
	Total	<hr/> \$78,099.23 <hr/>

1938		
Joseph E. Justice	President and Trustee	\$15,000.00
M. M. Longshore	Secretary-Treasurer and Trustee	5,216.66
J. J. Warren	Assistant Secretary and Trustee	4,681.49
S. H. Longshore	General Manager and Trustee	39,359.03
F. M. Phillippi	Actuary	4,300.00
A. D. Merchant	State Manager, La., and Trustee	10,598.37
R. D. Carlton	Trustee and Clerk	650.00
	Total	<hr/> \$79,805.55 <hr/>

1939

Joseph E. Justice	President and Trustee	\$14,166.67
J. J. Warren	Secretary and Trustee	5,060.70
A. F. Whiting	Treasurer, Trustee and Attorney	1,200.00
M. M. Longshore	Secretary-Treasurer and Trustee until December 15, 1939	4,800.06
S. H. Longshore	General Manager and Trustee	41,809.53
R. D. Carlton	Trustee and Clerk	2,625.00
A. D. Merchant	State Manager, La., and Trustee	11,077.96
Total		<u>\$80,739.92</u>

On December 2, 1939, at a meeting of the Board of Trustees, the following changes were made in the personnel and compensation of the officers:

(a) The resignation of Mrs. M. M. Longshore as Secretary and Treasurer, was accepted, effective December 15, 1939, and her salary terminated as of December 1, 1939.

[fol. 139] (b) The salary of Joseph E. Justice as President was changed from \$15,000.00 per year to \$5,000.00 per year, effective December 1, 1939.

(c) The contract with S. H. Longshore, as General Manager, was modified effective December 1, 1939, in the following particulars:

1. The term was reduced from 25 years after March 1, 1929 to 15 years from that date, making it expire on March 1, 1944.

2. The stipulation therein providing that the commissions accruing under the contract shall be paid in the event of his death to his heirs or assigns was eliminated, so that in such event there shall not be payable to his heirs or assigns any amount that was not due and payable to him at death.

3. The provision specifying a commission of $7\frac{1}{2}\%$ on all second and subsequent years dues has been amended to provide for 5% on such dues.

As modified, the contract terminates on March 1, 1944, provides for a commission of 20% of all first year dues, 5% commission on subsequent years due- except from the State of Louisiana, and $2\frac{1}{2}\%$ of second and subsequent years dues from Louisiana.

Increase in Admitted Assets

The following tabulation shows the increase and decrease in admitted assets at December 31, 1936 and December 31, 1939:

	December 31, 1936	December 31, 1939	Increase	Decreased
Real Estate.....	\$45,000.00	\$67,500.00	\$22,500.00	
Mortgage Loans.....	43,579.64	119,163.82	75,584.18	
Collateral Loans.....	631.16			\$631.16
Policy Loans.....	1,011.00	3,015.95	2,004.95	
Premium Notes.....	4,350.70	9,064.30	4,713.60	
Bonds.....	381,375.18	721,459.26	340,084.08	
Stocks.....		5,740.00	5,740.00	
Cash in Office.....	160.00	160.00		
Cash in Banks.....	89,198.56	125,739.24	36,540.68	
[fol. 140]				
Unreported Branch Office Collections.....	4,524.77			4,524.77
Agents' Credit Bal- ances.....	-2,877.20	-2,492.55		-384.65
Special Deposits.....		50.00	50.00	
Net Premiums due and Uncollected.....		6,144.70	6,144.70	
Warrants.....		60.00	60.00	
Totals.....	566,953.81	1,055,604.72	493,422.19	4,771.28
Net Increase.....	488,650.91			488,650.91
	<u>1,055,604.72</u>	<u>1,055,604.72</u>	<u>493,422.19</u>	<u>493,422.19</u>

General Comments

The investments of the Society have been carefully selected. With the exception of its home office building practically all assets are of a liquid nature, and none of its bonds or mortgages are delinquent as to principal or interest. The policy reserves are based upon an interest rate of $3\frac{1}{2}\%$. At the yield now being realized the income from its bonds and mortgages, without taking into consideration other investment income, produces 4% of the present policy reserves.

Insurance in force, including reinsurance, at December 31, 1939 amounted to \$12,143,100.00, which represents an increase since December 31, 1936 of \$727,947.00.

Surplus shows an increase from \$171,876.47 on December 31, 1936 to \$261,134.73 at December 31, 1939, being a net increase of \$89,258.26.

[fol. 141]

Conclusion.

Your examiners take this occasion to acknowledge the courtesies extended and assistance rendered by the officers

and employees of the Society during the course of the examination.

All of which is

Respectfully submitted. (S.) J. J. Scarborough, Jr.,
Examiner Representing Alabama Insurance Department; John W. Sparkman, Examiner Representing Mississippi Insurance Department.

[fol. 142] EXHIBIT "B"—To Defendant's Answers to Plaintiff's Interrogatories

Columbia Lodge No. 36—Columbia, S. C.

Mr. R. O. Darby, Eminent Commander (Organizer), 19 Arcade Bldg., Columbia, S. C.

Miss Rosalie Brogdon, Eminent Recorder, 19 Arcade Bldg., Columbia, S. C.

Mr. Ben. Lee Swygert, Eminent Warden, 1017 Bull St., Columbia, S. C.

Mr. Laurie R. Mellichamp, Eminent Guard, 1331 Pickens St., Columbia, S. C.

Rev. Harry E. Alban, Eminent Chaplain, RFD 3, Columbia, S. C.

Mr. Walter W. Rivers, Eminent Master, c/o Providence Hospital, Columbia, S. C.

Mr. Thomas C. Simmons, Eminent Treasurer, c/o Electrolux Corp., 62 Arcade Bldg., Columbia, S. C.

Miss Vonnice E. Lance, Eminent Sentry, 1301 Hampton Ave., Columbia, S. C.

[fol. 143] Florence Lodge No. 37—Florence, S. C.

Mr. Miles H. Anderson, Eminent Commander, Florence County, Florence, S. C.

Mrs. Ted Coleman, Eminent Recorder, 517-B So. Dargan St., Florence, S. C.

Mrs. Ben Cowell, Eminent Treasurer, Florence, S. C. Box #52.

Mrs. Ida M. Whitton, Eminent Chaplain, 117 W. Elm, Florence, S. C.

Mr. Sam Matthews, Eminent Sentry, Rt. 3, Florence, S. C.

Mr. Charles Haselden, Eminent Warden, S. C. National Bank, Florence, S. C.

Mr. G. Badger Baker, Eminent Master, Box 1162, Florence, S. C.

Mr. A. T. Willeford, Eminent Guard, 143 S. Dargan St., Florence, S. C.

[fol. 144] Greenville Lodge No. 38—Greenville, S. C.

Miss Helen Chandler, Eminent Commander, 28 Conestee, Greenville, S. C.

Mrs. L. D. Goddard, Eminent Recorder, 505 Arlington Ave., Greenville, S. C.

Mr. James Edwards, Eminent Chaplain, P. O. Box 1381, Greenville, S. C.

Mr. T. P. Young, Eminent Master, 217 Grove Rd., Greenville, S. C.

Mr. Eugene E. Stone, Eminent Sentry, Stone Mfg. Co., Greenville, S. C.

Mr. James W. Goddard, Jr., Eminent Warden, 505 Arlington Ave., Greenville, S. C.

Mr. R. G. Griffin, Eminent Treasurer (Organizer), P. O. Box 1194, Greenville, S. C.

[fol. 145] Anderson Lodge No. 40—Anderson, S. C.

Miss Lucille Acker, Eminent Commander, 310 E. Hampton St., Anderson, S. C.

Mrs. Essie Moor, Eminent Chaplain, P. O. Box 452, Anderson, S. C.

Mr. Ernest W. Bridwell, Eminent Master, Aiken Stores, Anderson, S. C.

Mr. Richmond P. Browne, Eminent Sentry, 711 North Ave., Anderson, S. C.

Mrs. Lorena C. Gilmer, Eminent Guard, 535 N. McDuffie St., Anderson, S. C.

Mr. Billy Bowen Parks, Eminent Warden, P. O. Box 143, 318 Evans St., Anderson, S. C.

Mrs. Elizabeth Browne, Eminent Recorder, 711 North Ave., Anderson, S. C.

[fol. 146] Aiken Lodge No. 39—Aiken, S. C.

Mr. David J. Wardlaw, Eminent Commander, 1030 Newberry St., Aiken, S. C.

Mrs. Wilhemina H. Moody, Eminent Recorder, 1029 Chesterfield St., Aiken, S. C.

Miss Elizabeth Thompson, Eminent Treasurer, 2405 Richland Ave., Aiken, S. C.

Mrs. Ella Eidson, Eminent Chaplain, Bath, S. C.

Mr. Cecil H. Seigler, Jr., Eminent Sentry, Rt. W, Trenton, S. C.

Mrs. Rena D. Howard, Eminent Master, Immaculate Koolin Co., Langley, S. C.

Mr. Jos. B. Howard, % Immaculate Koolin Co., Langley, S. C.

Mrs. Myrtle G. Corbett, Eminent Warden, Wagener, S. C.

[fol. 147] Birmingham Lodge No. 2—Birmingham, Ala.

Mr. Howard S. Shirley, Eminent Commander (Organizer), 906 Jackson Bldg., Birmingham, Ala.

Mr. L. L. Wheeler, Eminent Master, 1312 North 17th St., Birmingham, Ala.

Mr. F. R. Fisher, Eminent Guard (Organizer), 1752 McMillan Ave., Birmingham, Ala.

E. T. Walrond, Eminent Chaplain (Organizer), 608 S. W. 19th St., Birmingham, Ala.

Mr. F. W. Sawyer, Eminent Warden (Organizer), 906 Jackson Bldg., Birmingham, Ala.

Mr. J. J. Naff, Eminent Sentry (Organizer), 1628 North 29th St., Birmingham, Ala.

Mrs. Claire Ford, Eminent Recorder, 906 Jackson Bldg., Birmingham, Ala.

Miss Ethel J. Waldron, Eminent Treasurer, 4300 Cadsden St., Birmingham, Ala.

[fol. 148] Gadsden Lodge No. 41—Gadsden, Ala.

Mr. Eugene C. Miller, Eminent Commander, P. O. Box 485, Gadsden, Ala.

Mr. Irby Daniel, Eminent Warden, 430 Reynolds St., Gadsden, Ala.

Miss Louise Wharton, Eminent Guard, 905 S. 11th St., Gadsden, Ala.

Miss Vera Weir, Eminent Sentry, 515 S. 4th St., Gadsden, Ala.

Mrs. Geo. W. Philips, Eminent Chaplain, Gadsden, Ala.

Mr. James M. Christopher, Eminent Master, 1236 S. 10th St., Gadsden, Ala.

Mrs. Patricia G. Williamson, Eminent Recorder (Organizer), Printup Hotel, Gadsden, Ala.

Mrs. Patricia G. Williamson, Eminent Treasurer (Organizer), Printup Hotel, Gadsden, Ala.

[fol. 149] Montgomery Lodge No. 1—Montgomery, Ala.

Mr. J. F. Wilburn, Eminent Commander (Organizer), 201 Wellington Rd., Montgomery, Ala.

Mr. R. D. Carlton, Eminent Chapl-in, 107 Cramer Ave., Montgomery, Ala.

Mr. James Guy Carlton, Eminent Guard, 107 Cramer Ave., Montgomery, Ala.

Miss Edeelene Tucker, Eminent Recorder, 1118 Mt. Meigs Rd., Montgomery, Ala.

Mr. Thaddeus O. Walker, Eminent Master, 312 Molton St., Montgomery, Ala.

Miss Edith Lide, Eminent Warden, 202 Sanford St., Montgomery, Ala.

[fol. 150] Mobile Lodge No. 3—Mobile, Ala.

Mr. C. G. Bahlman, Eminent Commander, G. M. & N. R. R. Shops, Mobile, Ala.

Mr. G. E. Webb, Eminent Chaplain, 8 St. Emanuel St., Mobile, Ala.

Mr. J. G. Goodman, Eminent Recorder (Organizer), 703 First Natl. Bank Annex, Mobile, Ala.

Mrs. Fannie B. Washichek, Eminent Treasurer, 204 Dexter Ave., Mobile, Ala.

Mr. Homer L. Baldwin, Eminent Guard, 1706 Dauphin St., Mobile, Ala.

Mrs. Bessie B. Brown, Eminent Sentry, 501 Dauphine St., Mobile, Ala.

Mrs. Grace A. Haas, Eminent Guard, 2255 Old Government St., Mobile, Ala.

[fol. 151] Dothan Lodge No. 4—Dothan, Ala.

Mr. John W. Rish, Eminent Commander, P. O. Box 37, Dothan, Ala.

Mr. Emmet S. Thigpen, Eminent Recorder (Organizer), Cherry Bldg., Dothan, Ala.

Mrs. Lonie M. Chapman, Eminent Treasurer, 216 W. Main St., Dothan, Ala.

Mr. C. I. Adkison, Eminent Chaplain (Organizer), 409 S. Oates St., Dothan, Ala.

Mr. John Tryon Hubbard, Eminent Master, 307 W. Main St., Dothan, Ala.

Mr. John Lewis Harris, Eminent Guard, 206 W. Main St., Dothan, Ala.

Mr. Humphrey K. Parker, Eminent Warden, P. O. Box 247, Dothan, Ala.

[fol. 152] Decatur Lodge No. 5—Decatur, Ala.

Mr. Fred O. Smith, Eminent Commander, P. O. Box 83, Decatur, Ala.

Mr. Geo. M. Rogers, Eminent Master, Athens, Ala.

Mrs. Freda S. Trimble, Eminent Recorder, 901 Oak St., Decatur, Ala.

Mr. Nicholas R. Nichols, Jr., Eminent Chaplain, Athens, Ala.

Mrs. Susie E. Rains, Eminent Warden, c/o Lyons Hotel, Decatur, Ala.

Mr. Neal Speake, Eminent Sentry, Decatur Iron & Steel Co., Decatur, Ala.

[fol. 153] Macon Lodge No. 18—Macon, Ga.

Mr. L. M. Houser, Eminent Commander (Organizer), Rt. 1, Midland, Ga.

Mrs. Glenn Wilson, Eminent Recorder, c/o Mr. L. M. Houser, Rt. 1, Midland, Ga.

Mrs. Glenn Wilson, Eminent Treasurer, c/o Mr. L. M. Houser, Rt. 1, Midland, Ga.

Mr. L. M. Houser, Eminent Chaplain (Organizer), Rt. 1, Midland, Ga.

Mr. J. T. Smith, Eminent Guard, 623 Main St., Macon, Ga.

Mr. J. B. Howard, Eminent Sentry, 136 Charles St., Macon, Ga.

Mrs. J. T. Smith (Mrs Lilly M. C. Smith), Eminent Master, 623 Main St., Macon, Ga.

Mr. W. Y. Fleming, Eminent Warden (Organizer), Columbus, Ga.

[fol. 154] Atlanta Lodge No. 17—Atlanta, Ga.

Mr. R. P. Coleman, Eminent Commander, P. O. Box 1711, Atlanta, Ga.

Mr. C. L. Wharton, Eminent Chaplain (Organizer), 918 Cit. & Sou. Natl. Bank, Atlanta, Ga.

Mrs. Louise Taylor, Eminent Recorder, 918 Cit. & Sou. Natl. Bank, Atlanta, Ga.

Mr. W. G. Longshore, Eminent Guard, P. O. Box 1711, Atlanta, Ga.

Miss Margaret L. Longshore, Eminent Sentry, 1031 Lanier Blvd., Atlanta, Ga.

Mr. W. S. Carlton, Eminent Warden (Organizer), 918 Citizens & Sou. Natl. Bank, Atlanta, Ga.

Mr. W. R. Bell, Eminent Master, 839 Park Sta., S. W., Atlanta, Ga.

Miss Louise Taylor, Eminent Treasurer, 918 Cit. & Sou. Natl. Bank, Atlanta, Ga.

[fol. 155] Albany Lodge No. 14—Albany, Ga.

Mr. Price A. Westbrook, Eminent Commander, c/o Police Dept., Albany, Ga.

Mr. Lulette Westbrook, Eminent Chaplain, 500 E. Broad St., Albany, Ga.

Mrs. Edith Rawls, Eminent Recorder, 217½ Tift Ave., Albany, Ga.

Mrs. W. W. Green (Mrs. Margaret R. Green), Eminent Guard, 507 Flint Ave., Albany, Ga.

Mr. Edward D. Hope, Eminent Sentry, 408 Pine St., Albany, Ga.

Mr. J. E. Mobley, Eminent Warden, 622 Fifth St., Yoddie Drive, Albany, Ga.

Mr. Meyer Rosenberg, Eminent Master, c/o J. A. Rosenberg & Co., Albany, Ga.

[fol. 156] Athens Lodge No. 21—Athens, Ga.

Mr. L. E. Hopper, Eminent Master, 895 Hill St., Athens, Ga.

Mr. H. C. Doolittle, Eminent Sentry, P. O. Box 937, Athens, Ga.

Mrs. Hoyt Robertson, Eminent Chaplain, Box 418, Athens, Ga.

Mr. J. B. Tanner, Eminent Guard, 1738 S. Lumpkin St., Athens, Ga.

Mr. H. B. Ritchie, Eminent Treasurer, 226 King Ave., Athens, Ga.

Mr. B. E. Lumpkin, Eminent Recorder, 150 Coverhurst Ave., Athens, Ga.

[fol. 157] New Orleans Lodge No. 29—New Orleans, La.

Mr. Pat Kirkpatrick, Eminent Commander (Organizer), Jung Hotel, New Orleans, La.

Mr. Ben. F. Hay, Eminent Master, 708 Royal St., New Orleans, La.

Mrs. Alma Kirkpatrick, Eminent Recorder (Organizer), Jung Hotel, New Orleans, La.

Miss Catherine Clem, Eminent Sentry, 5933 Freret St., New Orleans, La.

Dr. Mabel Bowman, Eminent Chaplain, Maison Blanche Bldg., New Orleans, La.

Mrs. Lucy Hay, Eminent Warden, 536 St. Peter St., New Orleans, La.

Mr. Sidney Bowman, Eminent Guard, 1230 Maison Blanche Bldg., New Orleans, La.

[fol. 158] Baton Rouge No. 27—Baton Rouge, La.

Mr. J. R. Miller, Eminent Commander, Norwood, La.

Mr. Normand H. Edwards, Eminent Chaplain, 1956 Cherokee St., Baton Rouge, La.

Dr. Vernon Beam, Eminent Master, P. O. Box 1351, Baton Rouge, La.

Mrs. Mildred R. Hensley, Eminent Guard, State Dept. of Ed., Baton Rouge, La.

Mr. Henry T. Morgan, Eminent Warden, 1965 Hiawatha St., Baton Rouge, La.

Mr. Henry C. Deming, Eminent Sentry, R. F. D. 1, Baton Rouge, La.

—Miss Emily Grant, Eminent Recorder, 1203 La. Natl. Bank Bldg., Baton Rouge, La.

[fol. 159] Meridian Lodge No. 32—Meridian, Miss.

Mr. Isadore Love, Eminent Commander, 2710 10th St., Meridian, Miss.

Miss Eva L. Harrington, Eminent Chaplain, 2016 44th Ave., Meridian, Miss.

Mr. J. B. Peavey, Eminent Master, 1221 15th Ave., Meridian, Miss.

Mrs. T. L. Sullivan, Eminent Recorder, P. O. Box 423, Meridian, Miss.

Miss L. M. Sheppard, Eminent Warden, Box 791, East Miss. State Hospital, Meridian, Miss.

Miss Gipsie E. Barron, Eminent Guard, 1301 16th Ave., Meridian, Miss.

Miss Nannie B. David, Eminent Sentry, 517 B. St., Meridian, Miss.

[fol. 160] Jackson Lodge No. 33—Jackson, Miss.

Mr. Neil Browning, Eminent Commander (Organizer), 803 Deposit Guaranty Bank Bldg., Jackson, Miss.

Mrs. Geneva Walker, Eminent Recorder, 803 Deposit Guaranty Bank Bldg., Jackson, Miss.

Dr. T. M. Moore, Eminent Master, 210 Lampton Bldg., Jackson, Miss.

Miss Margaret Adams, Eminent Warden, Box 2435 Pearl St., Jackson, Miss.

Mr. E. B. Walker, Eminent Chaplain, 803 Deposit Guaranty Bank Bldg., Jackson, Miss.

Dr. H. J. Burnham, Eminent Guard, Standard Life Bldg., Jackson, Miss.

Miss Winnifred Germany, Eminent Sentry, Winnie's Hat Shop, Jackson, Miss.

[fol. 161] Columbus Lodge No. 34—Columbus, Miss.

Mrs. Eva Devane, Eminent Commander, Devane Motor Co., Columbus, Miss.

Mrs. Georgia B. Vail, Eminent Recorder, Columbus, Miss.

Mr. M. E. Shackleford, Eminent Treasurer, Shackleford Bus Mch. Wks., Columbus, Miss.

Mrs. T. M. Smith, Eminent Chaplain, Columbus, Miss.

Mr. T. B. Gideon, Eminent Sentry, c/o Coca Cola Bottling Co., West Point, Miss.

Mrs. W. F. Backstrom (Mrs. Lillie P. Backstrom), Eminent Master, Columbus, Miss.

Mrs. Lewis Beard, Eminent Guard, Columbus, Miss.

Miss Laudice Pratt, Eminent Warden, Columbus, Miss.

[fol. 162] Hattiesburg Lodge No. 35—Hattiesburg, Miss.

Mr. Edgar E. Deen, Eminent Commander, Court House, Hattiesburg, Miss.

Miss Kate L. Lord, Eminent Recorder, Box 77, Hattiesburg, Miss.

Miss Berniece Black, Eminent Master, Petal, Miss.
 Mrs. H. O. Moore, Eminent Chapl-in, Hattiesburg, Miss.
 Miss Gertrude Bounds, Eminent Guard, 416 Williams St.,
 Hattiesburg, Miss.

Mrs. M. Foster, Eminent Sentry, 414 West 4th St., Hattiesburg, Miss.

Mrs. Margaret Gresham, Eminent Warden, 614 Bay St., Hattiesburg, Miss.

[fol. 163] EXHIBIT "C"—TO DEFENDANT'S ANSWERS TO
 PLAINTIFF'S INTERROGATORIES

Preferred Life Assurance Society—Organizers

February 11, 1941

Name	State
C. I. Adkison	Alabama
J. C. Ard	Alabama
J. H. Beall	Alabama
W. J. Bibby	Alabama
James Guy Carlton	Alabama
A. E. Cauley	Alabama
Eugene C. Cooner	Alabama
George W. Crane	Alabama
Fred R. Fisher	Alabama
Pat L. Burton	Alabama
W. Y. Fleming	Alabama
Mrs. Claire Ford	Alabama
Charles D. Gibbs	Alabama
J. G. Goodman	Alabama
Mrs. Mary V. Goodman	Alabama
F. M. Griffin	Alabama
E. G. Hagood	Alabama
J. W. Henley	Alabama
W. Z. Hodges	Alabama
Solon Jacobs	Alabama
Ed R. Justice	Alabama
R. K. Kay	Alabama
H. A. Longshore	Alabama
J. A. Longshore	Alabama

[fol. 164]

Name	State
George M. McCreight	Alabama
C. G. McKinley	Alabama
V. V. Metcalfe	Alabama
J. L. Miller	Alabama
C. T. Morgan	Alabama
J. J. Naff	Alabama
E. E. Pettus	Alabama
Sam M. Phelps	Alabama
Ed H. Pizer	Alabama
I. F. Rainer	Alabama
C. C. Richardson	Alabama
A. H. Riley	Alabama
Mrs. L. A. Weatherford Russell	Alabama
Fred W. Sawyer	Alabama
Howard S. Shirley	Alabama
Emmet Scott Thigpen	Alabama
E. T. Walrond	Alabama
J. F. Wilburn	Alabama
Mrs. Patricia C. Williamson	Alabama
E. F. Yeilding	Alabama

[fol. 165]

Name	State
John A. Creps	Florida
Wm. F. Barnes	Georgia
W. S. Carlton	Georgia
Mrs. Lillie F. Downey	Georgia
E. B. Heyward	Georgia
L. M. Houser	Georgia
Mrs. Willimore T. Jones	Georgia
Mrs. Pattie W. Lawrence	Georgia
R. D. McDowell	Georgia
T. W. Morrison	Georgia
H. P. Thorn	Georgia
A. C. Tucker	Georgia
R. W. Waters	Georgia
C. L. Wharton	Georgia
L. A. Winn	Georgia

Mrs. Alma G. Kirkpatrick

Louisiana

Name	State
Pat Kirkpatrick	Louisiana
A. D. Merchant	Louisiana
J. R. Miller	Louisiana
W. R. Phillips	Louisiana
E. W. Wilkerson, Jr.	Louisiana
Miss Emily Grant	Louisiana

[fol. 166]

Name	State
Neil Browning	Mississippi
W. C. Thornton	Mississippi
Carlos Trigg	Mississippi
Mrs. Geneva C. Walker	Mississippi
Mrs. Alma M. Bair	South Carolina
Mrs. Anna S. Barre	South Carolina
Miss Rosalie Brogdon	South Carolina
Mrs. Ted Coleman	South Carolina
J. H. Cook	South Carolina
Roy O. Darby	South Carolina
R. G. Griffin	South Carolina
J. T. Giles	South Carolina
Mrs. D. D. Jones	South Carolina
J. K. Nettles	South Carolina
Morgan D. Walker	South Carolina

[fol. 167] IN UNITED STATES DISTRICT COURT

Amended Complaint—Filed March 4, 1941

Plaintiff above named, complaining of defendants above named, alleges in this his amended complaint:

1. Plaintiff is a citizen and resident of the State of South Carolina and defendant Preferred Life Assurance Society of Montgomery, Alabama, is a corporation organized under the fraternal benefit statutes of the State of Alabama and having its principal place of business at Montgomery in the Middle District of Alabama and doing business in the States of Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina and Tennessee.

2. Defendants Joseph E. Justice, Spencer H. Longshore, W. Guy Longshore, J. J. Warren, R. D. Carlton, A. D. Merchant, and A. F. Whiting are the officers, directors, trustees, and managing agents of defendant Society, and constitute the entire membership of said Society's Board of Directors or Trustees, and as such have the custody, control, and management of the assets of said Society, and are all over the age of 21 years, and reside within the Middle District of Alabama, except W. Guy Longshore who resides at Atlanta.

[fol. 168] 3. The respective offices now and formerly held by said defendants are as follows:

a. Joseph E. Justice is President and a Director and Trustee of said Society, and has been President, Director and Trustee since April 26, 1930.

b. Spencer H. Longshore is General Manager and a Director and Trustee of said Society. He has been General Manager since the Society's organization in August, 1928 and a Director and Trustee since April 26, 1930. As General Manager he holds an overwriting contract with said Society, which was entered into at or shortly after the organization of the Society and was modified in January 1940.

c. W. Guy Longshore is a Director and Trustee of said Society. He has been a Director and Trustee since the Society's organization. He was a ticket agent of Louisville & Nashville, Railroad until August, 1934; from August, 1934 until July 1936 was an "organizer" or selling agent of the defendant Society; and since July, 1936 has been General Manager of First National Life Assurance Society of Atlanta, Georgia, a fraternal benefit society of the State of Georgia. He is a brother of defendant Spencer H. Longshore.

d. J. J. Warren is Secretary and a Director and Trustee of defendant Society. He has been a Director and Trustee since April 26, 1930; from April 26, 1930 until December 15, 1939 was Bookkeeper and Assistant Secretary of said Society; and has been the Society's Secretary since December 15, 1939.

e. R. D. Carlton is a clerk and a Director and Trustee of defendant Society. He has been a Director and Trustee since April 26, 1930; and has been at various times from

April 26, 1930 to the present time manager of the delivery department of Montgomery Fair of Montgomery, Alabama, a clerk of Dixie Office Supply Company of Montgomery, Alabama, and a clerk of defendant Society.

f. A. D. Merchant is an "organizer" or selling agent and a Director and Trustee of defendant Society, and has been a Director, and Trustee since April 26, 1930, and has been an organizer at least since April 26, 1930.

g. A. F. Whiting is Attorney and Treasurer and a Director and Trustee of defendant Society. He has been Treasurer, Director, and Trustee since December 15, 1939.

4. Defendant M. M. Longshore was Secretary and Treasurer, and a Director and Trustee, of defendant Society from its organization until December 15, 1939. She is over the age of 21 years, resides in the Middle District of Alabama, and is the wife of the defendant Spencer H. Longshore.

[fol. 169] 5. Defendant B. Cosby Bird is Medical Director of defendant Society, and has been Medical Examiner and Medical Director from the Society's organization to the present time. He is over the age of 21 years and resides in the Middle District of Alabama.

6. Defendant F. M. Phillippi was actuary for defendant Society from some time in 1935 until some time in 1939, and for First National Life Assurance Society of Atlanta, Georgia, hereinabove mentioned, from its organization in July 1936 until some time in 1939, and is over the age of 21 years. On information and belief he is no longer connected with either Society, but still resides in the Middle District of Alabama.

7. On information and belief the respective degrees of guilt of the personal defendants as to the various frauds hereinafter set forth are substantially as follows:

a. Joseph E. Justice, Spencer H. Longshore, M. M. Longshore, and W. Guy Longshore conceived, put into operation, and actively participated and still participate in all the said frauds, and were and are the principal beneficiaries of the same.

b. J. J. Warren, R. D. Carlton, A. D. Merchant, and F. M. Phillippi knew and know of said frauds and have made no effort to stop the same, but were and are largely inactive

in the Society's management and operation and under the domination and control of defendants Joseph E. Justice, Spencer H. Longshore, M. M. Longshore, and W. Guy Longshore.

c. A. F. Whiting and B. Cosby Bird have taken no active or conscious part in any of said frauds, and have taken no part in the Society's management and operation.

8. This action is brought to re-organize the insurance department of defendant Preferred Life Assurance Society, and to displace its present officers and directors and trustees, and for damages; the insurance assets of Preferred Life Assurance Society exceed One Million (\$1,000,000.00) Dollars; and the amount in controversy exceeds Three Thousand (\$3,000.00) Dollars, exclusive of interest and costs.

[fol. 170] 9. Defendants write a form of insurance known as "Contingent Endowment" insurance, whose operation is substantially as follows:

a. By its terms all members of the Society are supposed to be divided into groups, called "divisions", each consisting of twenty-five (25) members of the same entry age; in each division each member is given a position numbered from one (1) to twenty-five (25); when a death occurs in any division the dead member's beneficiary receives the face amount of the dead member's insurance as a death claim, and the living member in good standing in the same division who holds the lowest position collects the face amount of his own insurance as a living claim, and his certificate is forthwith cancelled.

b. By reason of this contingency of collecting the face amount of insurance while still alive and after no fixed period of time, this form of insurance is very popular, and commands premiums much higher than ordinary "whole life" insurance.

c. From the standpoint of the probability of collecting the insurance while still alive, the essence of the contract is, that there be at all times twenty-five (25) members in each division.

d. Defendant Society by its contract binds itself to at all times keep and maintain each division at a strength of twenty-five (25) members.

10. Heretofore, on or about November 10, 1934, an agent of defendants solicited plaintiff to apply for a certificate of contingent endowment insurance issued by defendant Society under the following circumstances:

a. Said agent represented to plaintiff that: (1) plaintiff would have the number Five (5) position in his division; (2) plaintiff would "collect in two years easy"; (3) "we will fill this group before we start another one"; (4) there would be twenty-five (25) members in plaintiff's division.

b. Said agent further, in effect, represented to plaintiff that plaintiff's division would be completely filled before any memberships were sold in any other divisions of plaintiff's age class.

c. As hereinafter more fully set forth, all of these representations, except as to the position offered plaintiff, were false, and were known to be false when made and uttered with a reckless disregard for the truth.

d. Plaintiff reasonably believed these representations to be true, and relied upon them, and had a right to rely upon them.

e. In reliance on the said false and fraudulent representations, and at the urgent solicitation of defendants' agent, plaintiff applied to defendant Society for a certificate of [fol. 171] contingent endowment insurance.

f. Plaintiff would not have applied for such certificate except for such false representations.

11. Upon plaintiff's said application defendants issued to plaintiff, and sent to him through the United States mails, contingent endowment insurance certificate Number 18,497, Class (Age) 23, Division F(c), Position, Number 5.

12. Plaintiff accepted his said certificate and paid premiums thereon up to January, 1940 in the reasonable belief that there were at all times twenty-five (25) members in his said division.

13. In January 1940, plaintiff learned that there were only 10 members in his division, however, thru a monthly notice about 2 or 3 years before 1940 he learned that he had moved from position #5 to position #4.

14. Defendants have never had 25 members in any division, and have never sold a position number higher than number 11.

15. Defendants have no reasonable expectation of ever filling any division, and on information and belief have never had any intention of so doing, in that:

a. Defendants opened a total of 1456 divisions, and still have 1454 divisions open.

b. All the said divisions were opened prior to July 30, 1931, and long before defendants solicited plaintiff to apply for insurance.

c. The said 1454 divisions are sufficient to care for 36,350 members.

d. As of December 31, 1940 defendant Society had only 10,241 members.

[fol. 172] e. At no time has defendant Society ever had as many as 11,000 members.

f. On information and belief defendants have nevertheless continued to solicit business, and to accept premiums through the United States mails, upon the representations that divisions contained 25 members and were continuously kept and maintained at 25 members.

16. Defendants have made no effort to fill plaintiff's division before selling insurance in other divisions at plaintiff's entry age, nor have made any effort to fill plaintiff's division before selling insurance in other divisions at plaintiff's entry age.

17. By reason of defendants' breach of their contract with plaintiff he has been greatly damaged in his opportunity to collect on his certificate while he is still alive, in that according to the American Experience Table of Mortality plaintiff's certificate will take many years longer to mature with ten members in his division than if there were twenty-five members.

18. On information and belief: defendants have long since ceased to make any genuine effort to fill plaintiff's division, or any division, in that:

a. Defendants, and especially defendant W. Guy Longshore, have organized another insurance company in 1936,

known as "First National Assurance Society of Atlanta, Georgia", which writes and issues contingent endowment insurance in competition with defendant, Preferred Life Assurance Society, although W. Guy Longshore continued as a Trustee of Preferred Society.

b. Defendant W. Guy Longshore is General Manager of said First National Life Assurance Society, and has the benefit of an overwriting contract with said Society.

c. Said First National Assurance Society has a policy list of defendant Preferred Society.

d. Said First National Society, by the use of such policy list, has sold in the State of Alabama by mail, and contrary to the laws of said State, more than \$500,000 of contingent insurance.

e. Said First National Society is enabled to obtain more business by reason of being able to offer lower position numbers than the Preferred Society.

[fol. 173] f. A large number of the members of the selling staff of defendant Preferred Society have from time to time taken positions with said First National Society.

g. Defendants have largely abandoned efforts to fill any division of defendant Preferred Society in State of Georgia and have concentrated their forces on persuading various persons, both members and non-members of defendant Preferred Society, to purchase contingent endowment insurance with First National Society.

h. All said representations are entirely false.

i. To the extent that such representations persuade members of defendant Preferred Society to cease their membership in said Society in order to purchase insurance with First National Society, such representations constitute a fraud on plaintiff and all other members of Preferred Society.

j. To the extent that such representations persuade non-members of Preferred Society to purchase insurance with First National Society in preference to becoming members of Preferred Society, such representations constitute a fraud on plaintiff and all other members of Preferred Society.

19. The purposes of defendant Society, as set forth in its Certificate of Incorporation as recorded in Office of Probate Court in Montgomery, Alabama corporation book 10 at page 173 dated August 28, 1928 were and are as follows:

“The object and purpose of the corporation are to form a fraternal benefit society, without capital stock, to be organized and carried on for the mutual benefit of its members and not for a profit and having a ritualistic form of work and a representative form of government, and to make provision for the payment of benefits in accordance with the laws governing fraternal benefit societies. In addition to the payment of death benefits, the society will also pay benefits to the oldest member of each group in which death occurs, contingent upon mortality experience in such group, such benefits based on a reserve that shall be established and maintained upon a basis of not lower than the American Experience Table of Mortality with one year preliminary term and interest assumption at four per cent.

“Other objects of this Society are to unite in bonds of fraternalism and benevolence, all acceptable persons of good moral character and sound bodily health and who believe in the existence of a Supreme Being, to educate and [fol. 174] improve its members, morally, socially and intellectually and to furnish insurance protection and benefit upon the lives of such of its members as may be entitled thereto under the laws, rules and regulations of the society, for themselves and their beneficiaries as defined by law, as the member may direct to insure and protect and benefit, in the event of loss by death, accident, sickness or other disability, old age or other causes; also to accumulate, maintain, apply, disburse among its members a reserve, emergency, endowment or other fund as may be provided in its law, rules and regulations.”

20. The person principally instrumental in founding defendant Society was defendant Spencer H. Longshore, who, with the assistance of defendant Joseph E. Justice, organized said Society on or about August 28, 1928.

21. Defendant Society was not in fact organized “for the mutual benefit of its members and not for a profit”, nor is it so carried on, but on the contrary was organized and was and is carried on for the particular benefit and profit of defendants Joseph E. Justice, Spencer H. Long-

shore, and M. M. Longshore, as more fully appears from the following particulars: and exhibit "A."

a. Defendant Society's total income from its founding in 1928 up to December 31, 1940 has been approximately \$4,128,313.

b. Defendant Society from its founding in 1928 up to December 31, 1940 has paid as death, contingent endowment, and other claims to members approximately \$600,185, or approximately 14.55% of its total income.

c. Defendant Joseph E. Justice has received as income from defendant Society from January 1, 1931 up to December 31, 1940 approximately \$123,997, and in addition received other large sums prior to January 1, 1931, unknown in amount to plaintiff, but believed to certainly exceed \$8,000.

d. Defendant Spencer H. Longshore has received as income from defendant Society since its organization in 1928 up to December 31, 1940, approximately \$339,095; of this sum he received more than \$39,000 in 1938; more than \$41,000 in 1939; and more than \$48,000 in 1940.

e. Defendant M. M. Longshore received from defendant Society from its founding in 1928 up to December 15, 1939 approximately \$29,429.

f. The total received from defendant Society by Joseph E. Justice between January 1, 1931 and December 31, 1940; by Spencer H. Longshore between August, 1928 and December 31, 1940; and by M. M. Longshore between August, 1928 and December 15, 1939 is approximately \$492,521, or approximately 11.90% of the total income of defendant [fol. 175] Society.

g. The said sum of \$492,521 is approximately 82.06% of the total claims paid to members by the Society from its founding in 1928 up to December 31, 1940.

h. As of December 31, 1940 the total assets of defendant Society were approximately \$

i. Of this sum, approximately \$ consisted of due and deferred premiums, and not of tangible assets.

j. As of December 31, 1940 the tangible assets of defendant Society were approximately \$

k. The said tangible assets of \$, when added to the sum of \$600,185, claims paid to members, amounts to \$

1. The said sum of \$ (as set forth in "k" above), when subtracted from the total income of \$4,128,313, shows that the sum of \$ has been used for expenses; the ratio of expenses to total income is therefore approximately %.

22. Defendant Society was not in fact organized with "a ritualistic form of work and a representative form of government"; in that:

c. Plaintiff was not informed of the fraternal nature of the Society at the time he was solicited to purchase, and did purchase, insurance with the Society.

b. On information and belief the great majority of the Society's members were not informed of the fraternal nature of the Society at the time he was solicited to purchase, and did purchase, insurance with the Society.

c. Plaintiff was not informed of the fraternal nature of the Society until the year 1939, and did not begin to receive notices of lodge meetings until that year.

d. On information and belief; there were in fact no lodges in existence before the year 1939.

e. On information and belief, defendants were sometime during the year 1939 advised by the Insurance Commissioners of Alabama, Mississippi, South Carolina, and Tennessee, some or all, that unless defendants forthwith established subordinate lodges, et al. defendant Society would have to surrender its charter.

f. On information and belief, no Supreme Lodge meeting was ever held or even pretended to be held until the year 1940.

g. On information and belief, the reason for the holding of the Supreme Lodge meeting in the year 1940 was the same as for the establishment of subordinate lodges in the year 1939.

[fol. 176] h. On information and belief, the present subordinate lodges are pretensive and sham.

i. On information and belief, the Supreme Lodge meeting of January 1940 was sham and pretensive in that it neither elected officers and directors nor took any other action as to the policy and management of the Society.

j. On information and belief, all elections of directors and trustees and officers have been without the sanction of any Supreme Lodge meeting, even a pretensive one, in that the dates of the change in directorship, to wit, April 26, 1930 and December 15, 1939 do not coincide with any meeting of the Supreme Lodge.

k. On information and belief, the overwriting or management contract of defendant Spencer H. Longshore is colorable, fraudulent, and void, in that it is a contract entered into merely between said defendant and the persons who were Trustees and Directors at the organization, of defendant Society, and was not entered into with the knowledge, consent, or approval of the Society's membership.

23. On information and belief: the defendants Joseph E. Justice, Spencer H. Longshore, M. M. Longshore and W. Guy Longshore, the active officers, directors, trustees and agents of Preferred Life Assurance Society, operate the same for their own personal benefit, and not for the benefit of the members, in that:

a. They receive and obtain large and exorbitant salaries and commissions as hereinabove set forth, such that they have become wealthy, although plaintiff has never received, nor as he is informed, has any member of the Society ever received, one cent in dividends, despite the fraternal nature of the society;

b. As soon as it became difficult to sell membership certificates in the Society they organized or caused to be organized said "First National Life Assurance Society" in order the more easily to sell this form of insurance;

c. Although the Society is chartered as a fraternal order it did not even attempt to operate as such until 1939, as hereinabove set forth.

d. Defendants thus deprived plaintiff and all other members of their right and opportunity to attend lodge meetings and vote on the election of delegates and officers of the Society and deprived them of any control over the

actions of such officers, chief among whom are the defendants;

e. Defendants have never sent plaintiff a financial statement of the Society giving the huge salary of Spencer H. Longshore and other defendants.

[fol. 177] f. Defendants did not require plaintiff, nor, as he is informed, the great majority of applicants for membership in the Society, to undergo any physical or medical examination at the time of the application for insurance, or at any other time, notwithstanding that such physical and medical examination is specifically required of all applicants for membership in fraternal orders by the Statute law governing the operation of fraternal benefit societies in the State of South Carolina whereby poor physical risks were enabled to become members of Preferred Life Assurance Society, to the prejudice of Plaintiff and all other members in good health.

24. a. Plaintiff received his certificate through the United States mails, and has received numerous notices of premiums due through the United States mails, and defendants have accepted many such premiums from plaintiff and other members of the Society after having abandoned efforts to fill the divisions of the Society, without informing the members of such abandonment.

b. Plaintiff is now informed that this entire scheme of insurance is an illegal lottery and constitutes an illegal and unlawful scheme to defraud, and that it is also a wagering contract in that it attempts to give to plaintiff a beneficial interest in the lives of the other members of his division, in whom he has no insurable interest, and as to whom he does not belong to the class of beneficiaries of fraternal benefit insurance policies recognized and permitted by the Statute Law of the States of Alabama and South Carolina, and this is true for each and every member who participates in the scheme of insurance hereinabove mentioned and described.

c. Even if such scheme is not a lottery and a wager, defendants have breached their contract with plaintiff and all other members by not filling any of the Society's divisions nor making any effort so to do, and have defrauded plaintiff and the other members of the Society by not in-

forming them of the true facts concerning the operation of the Society and by nevertheless continuing to accept the members' monies without making such disclosure.

25. Plaintiff's contract of insurance was executed in and is subject to the laws of the State of South Carolina; that under the laws of said State defendants' actions in relation to his said premium amount to a fraudulent misrepresentation, and to a breach of contract, accompanied by a fraudulent act, either or both, that either of said actions by defendants entitled plaintiff, under the laws of the State of South Carolina, to vindictive damages.

26. Plaintiff's certificate is in full force and effect and he is a member in good standing of defendant Preferred Life [fol. 178] Assurance Society and vitally interested in having the same properly and economically administered, as to its insurance department, as an ordinary fraternal benefit society, selling only ordinary and standard certificates of insurance; defendants, by reason of the fraud and wrongs which they have perpetrated upon the society and upon plaintiff and the other members of the Society as hereinabove set forth, are not fit, proper or competent persons to be entrusted with the management of the insurance feature of the Society; and plaintiff is entitled to have them displaced as officers, directors and trustees and replaced by fit, competent and suitable persons, and in the meantime is entitled to have a receiver to reorganize the Society, to take charge of the insurance department of the Society, and preserve the funds of the same for the benefit of plaintiff and the other members of said Society, said funds being a trust fund for the benefit of plaintiff and the other members of the Society; and plaintiff is further entitled to a money judgment against the defendant officers, directors and trustees, and each of them in such sum of money as may be found proper and just upon an accounting being had of said officers, directors and trustees, said judgment being for the benefit of the Society and its members, for the fraudulent and wrongful conduct of said officers, directors and trustees.

27. By reason of defendants' fraudulent misrepresentations to plaintiff, and by reason of their acts of fraud toward him as hereinabove set forth, plaintiff is entitled to have his certificate reformed so as to be an ordinary

certificate of "whole life" insurance and is entitled to actual and punitive damages in the sum of Two Hundred Thousand (\$200,000.00) Dollars.

[fol. 179] 28. Plaintiff is entitled to relief at the hands of this Court for the reason that any attempt to obtain relief within the Society would be futile.

Wherefore: Plaintiff asks judgment:

1. For damages in the sum of Two Hundred Thousand (\$200,000.00) Dollars.

2. That the defendant officers, directors and trustees be displaced by others who will be fit and suitable and regularly elected by the members of Preferred Life Assurance Society.

3. That a receiver be appointed to take charge of and conserve the assets of the insurance department of said Society, the same being trust assets.

4. For a money judgment against each of said officers, directors and trustees in such sum, or sums, as shall be found to be justly due and owing from each of said officers, directors and trustees to the Society.

5. For such other and further relief as to this Honorable Court may seem just and proper.

6. For the costs and disbursements of this action.

R. K. Wise, 701 Liberty Life Building, Columbia, South Carolina; Wise & Whaley, 701 Liberty Life Building, Columbia, South Carolina; R. B. Barnes, 1029 Frank Nelson Building, Birmingham, Alabama; W. H. Brantley, Jr., 1029 Frank Nelson Building, Birmingham, Alabama; Holley, Milner & Holley, Moore Building, Wetumpka, Alabama.

.

[fol. 180] *Duly sworn to by James Lanier Bell. Jurat omitted in printing.*

[fol. 181]

**EXHIBIT "A" TO AMENDED COMPLAINT
Preferred Life Assurance Society**

	Premiums Received	Claims Paid
1929.....	\$59,372.77	\$4,750.00
1930.....	105,932.85	4,000.00
1931.....	147,742.10	20,550.00
1932.....	218,915.50	42,000.00
1933.....	277,997.70	34,000.00
1934.....	353,925.63	34,850.00
1935.....	414,827.74	72,800.00
1936.....	452,475.54	72,477.27
1937.....	492,802.38	88,231.30
1938.....	511,087.10	75,054.84
1939.....	527,088.18	72,394.64
1940.....	566,164.37	79,076.62
Total.....	\$4,128,331.86	\$600,184.67

**Money Received by Spencer H. Longshore from
Preferred Society**

1929.....	\$7,778.36	1935.....	\$27,304.39
1930.....	16,543.97	1936.....	35,555.06
1931.....	14,387.13	1937.....	38,873.52
1932.....	19,204.39	1938.....	39,359.03
1933.....	23,873.80	1939.....	41,809.53
1934.....	26,225.25	1940.....	48,180.23
Total.....		Total.....	\$339,094.66

**Money Received by Mrs. Spencer H. Longshore
from Preferred Society**

1929.....	\$870.00	1935.....	\$3,900.00
1930.....	1,040.00	1936.....	3,900.00
1931.....	1,040.00	1937.....	4,507.09
1932.....	1,040.00	1938.....	5,216.66
1933.....	1,215.00	1939.....	4,800.00
1934.....	1,900.00	1940.....	None
Total.....		Total.....	\$29,428.75

**Money Received by Joseph E. Justice from
Preferred Society**

1929.....	\$.....	1935.....	\$12,036.23
1930.....		1936.....	15,000.00
1931.....	10,189.02	1937.....	15,074.31
1932.....	12,030.25	1938.....	15,000.00
1933.....	13,268.71	1939.....	14,166.66
1934.....	12,232.17	1940.....	5,000.00
Total.....		Total.....	\$123,997.35

[fol. 182] IN UNITED STATES DISTRICT COURT

ANSWER OF PREFERRED LIFE ASSURANCE SOCIETY TO AMENDED COMPLAINT—Filed March 24, 1941

Comes the defendant, Preferred Life Assurance Society, and for answer to the amended complaint in the above case replies to the complaint as amended separately and severally the First Defense, Second Defense, Third Defense and Fourth Defense as filed to the original complaint, and for further answer to the amended complaint the defendant, Preferred Life Assurance Society, amends its Fifth Defense so as to read as follows:

Fifth Defense

Comes the defendant, Preferred Life Assurance Society, and for answer to the amended complaint in the above case, says:

1. It admits the allegations contained in Paragraph 1 of the amended complaint.

2. It admits the allegations contained in Paragraph 2 of the amended complaint.

3. It admits the allegations contained in Paragraph 3 of the amended complaint.

4. It admits the allegations contained in Paragraph 4 of the amended complaint.

5. It admits the allegations contained in Paragraph 5 of the amended complaint.

6. It admits the allegations contained in Paragraph 6 of the amended complaint. The defendant, F. M. Phillippi was never at any time either an officer or trustee of the [fol. 183] defendant, Preferred Life Assurance Society, and has neither been employed nor in any way connected with this defendant since December 15th, 1939.

7. It denies each and every allegation contained in Paragraph 7 of the amended bill of complaint, denies every conclusion therein averred and every inference therein sought to be drawn.

8. It denies that the bona fide purpose of this action is to reorganize the insurance department of defendant, Pre-

ferred Life Assurance Society, but it admits that the plaintiff asks judgment as shown in the plaintiff's complaint in this cause. It admits that the insurance assets of the Preferred Life Assurance Society exceed one million dollars. It denies that the amount in controversy, exclusive of interest and costs, exceeds \$3,000.00, but avers that the only financial interest or claim which the plaintiff has against this defendant, or against either of the other defendants is represented by his contingent endowment insurance certificate #18497, Class (Age) 23, Division F (C), Position #4, upon which the plaintiff has paid to this defendant an aggregate total amount in dues of the sum of only \$202.35, and which said certificate if presently payable would be payable in the amount of only \$1,000.00, and that in no event would this plaintiff be entitled from this defendant to a greater sum than said \$1,000.00. It avers that the damages stated in the complaint are colorable, and are beyond the amount of any reasonable expectation of recovery, and that under the facts of the case the plaintiff has no reasonable expectation of recovering from this defendant an amount as great as \$3,000.00 exclusive of interest and costs. It avers that the claim for the amount of recovery as made in the complaint is made for the purpose of bringing this action within the jurisdiction of this court, and that as a matter of fact the claim of the plaintiff in this cause does not really and substantially involve a controversy properly within the jurisdiction of this Court.

9. It admits that this defendant writes a form of insurance [fol. 184] known as contingent endowment insurance; that the certificates issued by this defendant for contingent endowment insurance are in the uniform amount of \$1,000.00, and no such certificates are issued for more or less than that amount; that the form of certificate for contingent endowment insurance issued by this defendant at the time that the plaintiff became a member of this defendant society is shown by a sample copy of such certificate attached to this answer and marked Exhibit "A"; that the form of contingent endowment certificate now issued by this defendant society and which has been the form in use for the past several years is shown by a sample copy of such form of certificate attached to this answer and marked Exhibit "B"; that for the purposes of contingent endowment fund distribution all certificates which

participate therein are grouped in classes according to age as shown at the time the certificate is issued, and in each class there are 25 divisions or more as authorized and limited by an Act of the Legislature of Alabama approved July 30th, 1931, and each division may contain no more than 25 members. The certificate holders of each division are numbered from 1 to 25 inclusive. Member No. 1 is, the certificate holder who has been in his division the longest period of time. When a death occurs in any division the dead member's beneficiary receives the face amount of the dead member's insurance as a death claim, and the living member in good standing who holds the lowest position in the same division collects the face amount of his own insurance as a living claim, and his certificate is forthwith cancelled. No member in any division is permitted to know or ascertain the name of any other member in his division. By reason of the fact that upon the death of any member holding a certificate in the face amount of \$1,000.00 there is paid by the defendant society the said amount of \$1,000.00 and an additional amount of \$1,000.00 as a living benefit to the living member in good standing who holds the lowest position in the same division, that is, the total [fol. 185] sum of \$2,000.00 is paid by the defendant society upon the death of any member, the premiums charged are necessarily higher than the premium for an ordinary \$1,000.00 certificate. The amounts of said premiums are arrived at on a scientific actuarial basis, and are fair and reasonable. The amounts of said premiums are required by the Superintendent of Insurance of the State of Alabama to be actuarially adequate, and the amounts of premiums charged by defendant society have in each instance been approved by the Superintendent of Insurance of the State of Alabama, and are in line with premiums required by reputable life insurance companies throughout the United States. It denies that the essence of the contract is that there be at all times 25 members in each division, and it denies that the Society binds itself at all times to keep and maintain each division at a strength of 25 members. It avers that the plaintiff could in no event have been No. 5 at the time he became a member of the defendant society if such averments are true. It avers that the plan of insurance is for a certain number of divisions, and in each division there may be not more than 25 mem-

bers, but it is not contemplated, and in fact is impossible to keep and maintain 25 members at all times in each division.

10. This defendant admits that on November 2nd, 1934 the plaintiff applied for membership in the defendant Society and for a certificate of contingent endowment insurance issued by this defendant society, and the defendant attaches to this answer a photostatic copy of the plaintiff's said application and marks the same Exhibit "C" and makes the same a part of this answer. This defendant denies emphatically those portions of Paragraph 10 of the amended complaint alleging that its agent made the representations alleged by plaintiff to have been made and claimed to be untrue. It avers that no agent had any authority to make any such representations, and that the terms of the application of the plaintiff for membership in this defendant society, and for certificate of contingent endowment insurance are plainly set forth in the written application, and that no agent has any authority to vary the [fol. 186] terms of said application. It denies that plaintiff believed any such representations or relied upon any such representations.

11. It admits that upon the plaintiff's application the defendant issued and delivered to the plaintiff contingent endowment insurance certificate #18497 Class (Age) 23, Division F (c), Position #5. It admits that the plaintiff accepted the same and has paid the premiums or dues on the same in the aggregate amount of \$202.35.

12. It denies that the plaintiff accepted his said certificate in the reasonable belief that there were 25 members in his said division, and it avers that plaintiff knew at the time the position given him was No. 5, and that there were only four other members in the said division. It denies that the plaintiff has paid premiums on said certificate in the reasonable belief that there were at all times 25 members in his said division, and it avers and alleges that this defendant has repeatedly informed the plaintiff in writing of the position which he held in said division and of the number of members in his said division, and it avers that this defendant was ready and willing at all times to give to this plaintiff this information and any other legitimate information with regard to his class and division. It specifically avers that letters were mailed by this defendant

to this plaintiff at the address to which his notices of premiums or dues were mailed, and which letters were never returned to this defendant and were therefore received by said plaintiff; that a copy of a letter so mailed by this defendant to said plaintiff on, to-wit, January 10th, 1936, is hereto attached, marked Exhibit, "D" and made a part hereof; that a copy of a letter so mailed by this defendant to said plaintiff on, to-wit, April 4th, 1938, is hereto attached, marked Exhibit "E" and made a part hereof; that a copy of a letter so mailed by this defendant to said plaintiff on, to-wit, January 31st, 1940, is hereto attached, [fol. 187] marked Exhibit "F" and made a part hereof. It avers that continuously from the time plaintiff accepted said certificate and until the present time the plaintiff has known that there were not 25 members in his said division.

13. It denies that the plaintiff first learned in January, 1940 that there were not 25 members in his division but only 10 members of whom the plaintiff is No. 4, and it avers in fact as hereinbefore alleged in more detail in the twelfth paragraph of this answer, that the plaintiff has at all times since the acceptance of his certificate known that there were not 25 members in his division, and that such information has been repeatedly given to the plaintiff by this defendant.

14. This defendant admits that it has never had a division containing 25 members, and that none of its divisions have ever contained more than eleven members, but this defendant avers that it has made every reasonable effort to secure as many members as possible up to 25 members in each of its divisions, and that it is to this defendant's financial interest to secure as many members as possible in each division.

15. It denies that this defendant has no reasonable expectation of filling any division and never had any intention of so doing, and it avers and alleges that it has continuously and actively sought to fill the plaintiff's division and all other divisions both before and since the plaintiff became a member of the defendant society, and has sought actively and aggressively to procure as many members in each division as it possibly could; that this defendant has had an increase in business in force and in the number of

its members every year since the plaintiff has been a member of this defendant society; that for each of the years in which and since the plaintiff became a member of the defendant society, the defendant has procured new members, which new members have been added to existing divisions; [fol. 188] that the amount of insurance issued by the defendant in each of said years is as follows:

Year	Amount
1934	\$3,551,550.00
1935	3,688,500.00
1936	3,232,250.00
1937	3,072,300.00
1938	2,724,050.00
1939	3,424,500.00
1940	3,724,000.00

That in excess of ninety per cent. of such* above total amount of insurance issued by the defendant society in each of said years was contingent endowment insurance; that this defendant now has employed more agents soliciting memberships and applications for certificates of contingent endowment insurance than at any time in the history of this Society, and this defendant is now most actively and aggressively seeking to procure as many members in each division as possible. Defendant admits (a) that its total maximum divisions were 1456 and that it now has 1454 subsisting divisions, (b) that all such divisions were opened prior to July 30th, 1931, (c) that if all of said divisions were filled to the maximum at one time they would accommodate 36,350 members, (d) that as of December 31st, 1940 this defendant had 10,241 members, and (e) that the maximum membership this defendant has heretofore had has not exceeded 11,000 members. This defendant denies every allegation contained in sub-paragraph (f) of Paragraph 15 of the amended complaint, and further emphatically denies that it has ever solicited business or accepted premiums through its agents, through the United States mail or in any other way upon the representation [fol. 189] that all or any of its divisions contained 25 members, or upon any representation that all or any of its divisions were continuously kept and maintained at 25 members.

16. It denies the allegations contained in Paragraph 16 of the amended complaint, and says that it has made every effort to fill plaintiff's division, and every other division, as more particularly set out in Paragraph 15 above. That but for failure of applicants to meet the necessary and proper requirements for membership and for lapses of certificates issued, over which this defendant has no control, plaintiff's division would have been virtually filled.

17. It admits that in the nature of things on an average a member in a division holding position No. 5 would be moved up to position No. 1, and thereafter his certificate would mature in a shorter period of time if there were 25 members in a division than if there were 10 members in the division, but this defendant denies that it has breached its contract with the plaintiff, and it denies that the plaintiff has been damaged by any act or omission on the part of this defendant.

[fol. 190] 18. This defendant, as hereinbefore averred, has not ceased to try to fill plaintiff's division and every division, but on the contrary is actively and aggressively endeavoring to fill every division, and in the year 1940 this defendant issued contracts of contingent endowment insurance for a larger amount than in the year 1934, in which year the plaintiff became a member of the defendant society; that this defendant did not organize the First National Insurance Company, or any other insurance company, but this defendant did enter into a contract under which it reinsured members for the First National Life Assurance Society of Atlanta, Georgia, which contract is the same as the contract of reinsurance which this defendant society has with the Lincoln National Life Insurance Company; that as the result of said reinsurance contract with First National Life Assurance Society this defendant has received a net benefit as shown by the list of premiums received and claims paid as follows, to-wit:

Year	Premiums Received	Claims Paid
1936	\$ 817.75	\$2,000
1937	10,199.79	3,000
1938	15,746.56	7,400
1939	11,675.96	5,111
1940	6,412.44	9,302
	<hr/>	<hr/>
	\$44,852.50	\$26,813

That from the premiums received for such reinsurance there are no commissions payable but that the entire amount of said premiums is for the benefit of this defendant and its members. This defendant denies that all or substantially all, or in fact any material numbers of the selling staff of this defendant society have taken similar positions with the First National Insurance Company (correct name First National Life Assurance Society); that no agents or members of the selling staff of Preferred Life Assurance Society have ever left this defendant [fol. 191] society to go with said First National Company except agents who were considerably in debt to the Preferred Life Assurance Society, or agents who were greatly discouraged and were being approached by other companies selling the same type of certificate to act as representatives of such companies, and who would in any event have left the employment of the Preferred Life Assurance Society; that since the Preferred Life Assurance Society had a reinsurance agreement with said First National Society, such representatives were encouraged to go with said First National Society rather than with a company with which, the Preferred Life Assurance Society did not have a reinsurance agreement; that at the present time to the best of this defendant's knowledge there are only two agents on the selling staff of the First National Life Assurance Society who formerly represented the Preferred Life Assurance Society; that the Preferred Life Assurance Society now has a large number of agents soliciting members for the issuance of contracts of contingent endowment insurance in the State of Georgia in which said First National Company has its Home Office, and that this defendant society in the year 1940 wrote approximately the same amount of contingent endowment insurance in said State of Georgia as it did in the State of South Carolina in which latter State the said First National Society does not do business; that at the present time the total number of agents on the selling staff of the Preferred Life Assurance Society soliciting for contracts of contingent endowment insurance is larger than it has ever been in the history of this defendant society. This defendant further avers that it has mailed statements disclosing its financial condition to the plaintiff and every other member at least once each year, and [fol. 192] that reports from Dunne & Co., a recognized company reporting on the financial condition of insurance

companies, have been mailed to the plaintiff and to other members who pay on a monthly basis, as the plaintiff does, several times during each year along with the receipts and notices, and that if the plaintiff received receipts for his dues he received with such receipts such financial statements and reports from Dunne & Company. This defendant denies each and every other allegation contained in Paragraph 18 of the amended complaint.

19. It admits the allegations contained in Paragraph 19 of the amended complaint.

20. It admits the allegations contained in Paragraph 20 of the amended complaint.

21. This defendant society was organized in strict conformity with the laws of the State of Alabama and under the supervision and direction of the Department of Insurance of the State of Alabama, and as organized and as conducted constitutes a fraternal benefit society and is for the mutual benefit of its members and not for profit.

The fact that the officers of the society receive compensation for their services and are thereby benefited does not in any sense or by any process of reason constitute the society an organization conducted for profit, or destroy its status as a fraternal benefit society. It admits the correctness of the figures as set forth in paragraph 12 of the amended bill of complaint in sub-section A to G inclusive; it avers that the following figure should be inserted in the blank spaces in sub-section H to L inclusive as follows:

H	\$1,283,355.64
I	6,471.17
J	1,276,884.47
K (1st)	1,276,884.47
(2nd)	1,877,069.47
L (1st)	1,877,069.47
(2nd)	2,251,243.50
(3rd)	54.53%

[fol. 193] The figures shown on Exhibit "A" are correct except as to amount of premiums received. The amount shown under said heading constitutes the total income from the society from premiums and other sources. The total from premiums received was \$3,912,600.77 instead of \$4,128,331.86, as shown on said Exhibit "A". That defend-

ant has only paid as death and contingent endowment and other claims to members approximately 14.55% of its total income is accounted for by the fact that care is exercised in the acceptance of risks and by the fact that the society has been in existence only about 11 years; that the percentage of payment of income to members will substantially increase in the future, as the membership increases in age and as all members are paid in full when they reach 70. There are various eventualities that may from time to time substantially increase the amount paid to members. That in addition to the amounts paid to members on their certificates the society maintains for the benefit of members numerous lodges and members who attend are entertained with banquets and otherwise. The expense of the social features, which is substantial, is not shown as a payment to the members, but is included in the expenses of operation. The compensation paid to the President, Manager and Secretary up to December 15, 1939, while apparently large as salaries go in this section of the country, are in line with compensation received by officers of similar organizations throughout the country, and is not unreasonable or unfair, and in no sense a fraud against the society or its membership. The only officer receiving a seemingly large compensation is the General Manager—S. H. Longshore, and his compensation is on a commission basis and is predicated on the growth of the Society resulting from his efforts. Original trustees, receiving their appointment strictly in conformity with the laws of Alabama, and with full authority, when the society had but \$5000.00 in assets and about 500 members entered into a contract with said Longshore under which his reward was measured by the skill, energy and ability with which he [fol. 194] managed the society and promoted its growth. As shown hereafter in answer to paragraph 23, at a meeting of the Grand Lodge of said Society held on the 15th of January, 1940, the contract with the said Longshore was reduced from 25 to 15 years and has now only about three years to run, and his commission was reduced from 7½% to 5%; that at said Grand Lodge Meeting the compensation of the President, Joseph E. Justice was reduced from \$15,000.00 to \$5,000.00. The Secretary, M. M. Longshore, resigned on the 15th of December, 1939 and has not since been connected with or received any compensation from the Society. That the ratio of expenses—54.53%, to

the total income of the society, is less than the average ratio of expenses to income of the majority of fraternal benefit societies operating on substantially similar lines throughout the United States, and has been duly checked and passed on by the Insurance Department of Alabama. The reduction of compensation at the January 15, 1940 meeting of the Grand Lodge and other economies being practiced, is expected to reduce this ratio in the future to an appreciable extent; that the State of Alabama has an Insurance Department specifically charged and directed with the duty and responsibility of administering all laws of the State relating to insurance and fraternal benefit societies, and to this department annual and other reports are made and the affairs of the society investigated and examined; said department has been and is fully advised of every feature of the society's operations and all suggestions and requirements of the Department of Insurance always have been promptly complied with; that this society has a surplus that insures protection to all of its members in the face of any eventuality which is in itself an answer to any intimation that the society is not being operated fairly, honestly and efficiently.

[fol. 195] 22. Defendant denies each and every allegation contained in paragraph 22 of the amended complaint. It avers that as elsewhere set forth in this answer, all members were informed of the fraternal nature of the society, and avers that the society did have in existence lodges from the early days of its organization; it avers that Supreme Lodge meetings were held every four years as provided by the laws of the State of Alabama; it avers that the Supreme Lodge meeting held on January 15, 1940, was held in strict conformity with the laws of the State of Alabama and the Constitution and Rules of the Society; and that the members thereof were duly and legally elected, and at such meeting performed all of the duties required of them as such. With special reference to sub-section K of paragraph 22, it avers that the contract with the said S. H. Longshore was made on behalf of the society by trustees duly constituted as such by law, and with full power as such trustees, . . . that it was not contemplated or necessary that the membership of the society should consent to or approve such contract. This defendant avers, however, that said contract was known to trustees subsequently elected by

delegates to the Grand Lodge meetings, said delegates being elected by the members of the society; that it is not contemplated and is impracticable for all members of the society to consent to or approve of the details of the management of the affairs of the society, which are by law vested in the trustees.

23. Defendant denies the allegations of paragraph 23 of the amended complaint, and avers that the compensation of the officers of the Society are reasonable and have been approved by the insurance department of the State of Alabama; that no compensation is paid to trustees and directors as such, and that the officers are paid stated salaries with the exception of the General Manager whose compensation is on a commission basis established by contract [fol. 196] with the Society when it was in its infancy, and whose compensation for years was small and incommensurate with the time devoted and efforts made for the advancement of the Society; it avers that under the laws of its organization it is not required that the members shall be paid dividends; that under the careful and economical conduct of the affairs of this defendant it has accumulated a substantial surplus, same being as shown by the examiners from the Insurance Department of Alabama and Mississippi as of December 31, 1939, in the sum of \$261,134.73; that following said report this defendant voluntarily gave without charge to its members paid-up and extended insurance as a part of their certificates; that this was approved by the Insurance Department of the State of Alabama. This defendant avers that plaintiff and all other members of the Society are sent financial statements annually and often, as hereinbefore alleged, more frequently. It avers that it has never sought to conceal that it was a fraternal benefit society but rather to feature that fact, and its agents have been fully advised and instructed accordingly; that the certificate issued by this defendant specifically states in bold letters that it is a fraternal benefit society, that the application for membership signed by the applicant provides that the applicant shall present himself to the Lodge for initiation and for all ritualistic obligations of the Society. It avers that a special meeting of the Grand Lodge of the Society was held in the City of Montgomery on the 15th day of January, 1940, and that all certificate holders of the Society in South Carolina, as well as in other

States, were fully notified and advised clearly as to the method for electing representatives to said Grand Lodge; [fol. 197] that a copy of such notice is hereto attached, marked Exhibit "G" and made a part hereof; that meetings were held and representatives elected who did attend said Grand Lodge meeting; that the election of said delegates and the proceedings of the Grand Lodge were in strict conformity with the Insurance laws of the State of Alabama, and in accordance with the Constitution and By-Laws of his Society, and were examined and approved by examiners appointed by the Insurance Departments of the States of Alabama and Mississippi; that at said Grand Lodge meeting the salary of the President was reduced, and the contract with the General Manager was modified, and other economies were provided for; that there was also provided at said meeting the additional benefits to members of extended and paid-up insurance. It denies that medical examinations are required by the laws of the State of Alabama of applicants for membership in fraternal orders, and neither admits nor denies whether such medical examinations are required by the laws of the State of South Carolina. It admits that in many instances it has accepted members without requiring such members to undergo a physical or medical examination if such members comply with the age limit prescribed in the defendant society's Constitution and By-Laws. It denies that it has accepted poor physical risks in South Carolina or elsewhere. It avers that in addition to the sworn answers of the applicant and the recommendation of the defendant's agent, the defendant received through an independent investigating agency an exhaustive report concerning the health and the habits of the applicant, and with relation to any matters affecting his insurable risk, and that such procedure has proven to be as satisfactory and effective as medical examination. It avers that women applicants above the age of forty, and men applicants above the age of forty-five are always required, [fol. 198] regardless of the amount of insurance applied for, to undergo a physical and medical examination, and that all applicants, regardless of age, applying for more than \$1,000.00 insurance, are required to undergo a physical or medical examination. It avers that the soundness of the practice of the defendant society in accepting physical risks is demonstrated by the ratio of actual deaths experienced

to expected mortality according to the American Experience Table of Mortality as listed below:

1935	39.97%
1936	42.03%
1937	35.46%
1938	30.56%
1939	29.32%
Five years average	35.47%

That the percentage of deaths among the members of this defendant society has, during the five years hereinabove listed, been greatly less than the percentage of deaths that would be anticipated according to the American Experience Table of Mortality, and has been in the percentage of such expected mortalities as hereinabove stated; that such experience demonstrates that this defendant has not accepted poor physical risks for membership.

24. It admits plaintiff received certificate premium notices, etc. through the United States mail, but it emphatically denies having lessened, much less abandoned, its efforts to fill the divisions of the Society. It denies that the contingent endowment certificate of insurance is a lottery or is fraudulent in any manner; or that it is a wagering contract further than in the sense that all insurance might be said to some extent and in some ways to contain an element of chance. This objection to this form of policy was raised before a Three Judge Federal Court in Oklahoma—*Liberty National Life Insurance Company v. Reed*, 24 Fed. Sup. page 103—where it was duly considered and this form of insurance upheld by said Court. This form of policy has [fol. 199] been specifically accepted and legalized by Legislative action in Alabama, and by statutory action in Georgia, South Carolina, Louisiana and Mississippi as well. The defendant denies each and every other averment contained in Paragraph 24 of the amended complaint.

25. It admits that the plaintiff was in the State of South Carolina when he made application for membership in the defendant society, and for a certificate of contingent endowment insurance, but it avers that the defendant society is incorporated under the laws of the State of Alabama and issued said certificate of contingent endowment insurance in the City of Montgomery, Alabama. It neither admits nor

denies the conclusion that the plaintiff's contract of insurance is subject to the laws of the State of South Carolina. It emphatically denies that under the laws of said State, or under any other laws the defendant's actions have amounted to a fraudulent misrepresentation or to a breach of contract accompanied by a fraudulent act, either or both, and it emphatically denies that any action by defendant, entitled the plaintiff under the laws of the State of South Carolina or any other laws to any damages either actual or vindictive.

26. This defendant admits that the plaintiff's certificate is in full force and effect, and he is a member in good standing of the defendant, Preferred Life Assurance Society, and has the same interest in the proper administration of said Society as every other member thereof. This defendant denies each and every other averment in paragraph 26 of the amended complaint.

As further answer to the unfounded and unwarranted allegations of paragraph 26 of the plaintiff's amended complaint, this defendant lists its growth in assets and surplus from year to year as follows:

[fol. 200]

Year	Assets	Surplus
1929	\$ 2,410.25	\$ 1,268.04
1930	26,823.76	9,412.59
1931	60,160.51	16,999.84
1932	94,304.58	33,166.84
1933	171,267.16	44,411.66
1934	309,644.82	94,711.52
1935	442,985.68	147,388.92
1936	566,953.81	171,876.47
1937	705,925.79	192,417.54
1938	901,411.92	250,180.58
1939	1,062,503.28	267,896.29

This defendant avers that this continuous healthy growth of this society, even during the years of depression was not a matter of accident but was the result of honest and intelligent work of its officers and agents.

27. It denies any fraud or misrepresentations on its part, and denies any fraudulent misrepresentations to plaintiff. It avers that by the terms of his certificate of insurance, a

copy of which has been hereto attached and marked Exhibit "A", the plaintiff has the following privilege of changing to other forms of certificate: "At any time before default in payment of dues the assured may, by filing a written request, exchange this certificate for a certificate upon any plan of protection then issued by the Society for the same face amount as this certificate." It avers that this defendant society issues ordinary life, 20 payment life and forms of endowment certificate, but it avers that the plaintiff has never made any request to exchange his certificate for a certificate upon any other plan. It avers in fact that the plaintiff has never registered any complaint with the defendant society, and that the first evidence of any dissatisfaction on the plaintiff's part furnished to the defendant society was the serving of the summons and complaint in this cause upon the defendant society. This defendant denies that the plaintiff is entitled to either actual or punitive damages in any sum, or to any relief in this action.

[fol. 201] 28. This defendant denies the allegations contained in Paragraph 28 of the amended complaint.

Further answering this defendant says that the plaintiff does not show that he has attempted to obtain relief within the Society, and the complaint does not set forth with particularity the efforts of the plaintiff to secure within the Society or from the Directors and Trustees such action as he desires, nor the reasons for the plaintiff's failure to obtain such action, nor the reasons for not making such effort. Further answering this defendant says the plaintiff does not show that he has attempted to obtain relief before the Superintendent of Insurance of the State of Alabama, the officer vested by the Legislature of Alabama with supervision over the operation of Insurance Companies, and fraternal benefit societies such as this defendant, and this defendant further avers that the plaintiff can obtain any relief to which he is legally or equitably entitled within the Society, and further can obtain any relief to which he is legally or equitably entitled before the Superintendent of Insurance of the State of Alabama.

29. The exhibits referred to herein, "A" to "G" inclusive, are attached to and made a part of the original

answer filed in this cause, and are hereby referred to and made a part of this answer the same as if attached hereto.

Hill, Hill, Whiting & Rives, Peyton D. Bibb, Attorneys for Defendant.

I, A. F. Whiting, of Counsel for the defendant, Preferred Life Assurance Society, in the above captioned action, do hereby certify that I have this day delivered to Hon. R. T. Milner, of the firm of Holley & Milner, of Counsel for plaintiff, a copy of the above and foregoing reply by mailing to him at Wetumpka, Alabama.

This 24 day of March, 1941.

A. F. Whiting, Of Counsel for Defendant, Preferred Life Assurance Society.

Address: Montgomery, Alabama.

[fol. 202] IN UNITED STATES DISTRICT COURT

ANSWER OF INDIVIDUAL DEFENDANTS TO AMENDED COMPLAINT
—Filed March 24, 1941

Come the defendants, Joseph E. Justice, Spencer H. Longshore, M. M. Longshore, W. Guy Longshore, J. J. Warren, R. D. Carlton, A. D. Merchant, A. F. Whiting, B. Cosby Bird and F. M. Phillippi, and for answer to the amended complaint in the above cause adopt as their answer severally and separately the amended answer as filed to said amended complaint by the defendant, Preferred Life Assurance Society of Montgomery.

Hill, Hill, Whiting & Rives; Peyton D. Bibb, Attorneys for Defendants.

I, A. F. Whiting, of Counsel for the defendants in the above captioned action, do hereby certify that I have this day delivered to Hon. R. T. Milner, of the firm of Holley & Milner, of Counsel for plaintiff, a copy of the above and foregoing reply by mailing to him at Wetumpka, Alabama.

This 24th day of March, 1941.

A. F. Whiting, Of Counsel for Defendants.

Address: Montgomery, Alabama.

[fol. 203] *Duly sworn to by J. J. Warren. Jurat omitted in printing.*

[fol. 204] DISTRICT COURT OF THE UNITED STATES MIDDLE
DISTRICT OF ALABAMA

JAMES LANIER BELL, Plaintiff

v.

PREFERRED LIFE ASSURANCE SOCIETY OF MONTGOMERY, ALABAMA, Joseph E. Justice; M. M. Longshore, B. Cosby Bird, J. J. Warren, F. M. Phillippi, Spencer H. Longshore, and John Doe, Defendants.

OPINION AND JUDGMENT—Filed May 6, 1941

The plaintiff, a citizen of South Carolina, filed this action against the defendant, Preferred Life Assurance Society, a corporation organized under *the fraternal benefit statutes of Alabama*, and a number of its officers, directors, trustees and agents. Federal jurisdiction is alleged on the ground of diversity of citizenship. The defendant Society contends that the Court lacks jurisdiction because the amount actually in controversy is less than \$3,000.00 exclusive of interest and costs, and also that the complaint fails to state a claim upon which relief can be granted. Upon oral arguments and briefs, the case is submitted to the Court for decision upon the primary question of whether the Court has jurisdiction to grant the relief prayed by the plaintiff. That question can be most conveniently answered by considering the several items of relief prayed.

The plaintiff asks judgment: "(1) For damages in the sum of \$200,000.00". According to the complaint, the plaintiff's financial interest or claim against the defendant Society is represented by a certain contingent endowment insurance certificate. Upon that certificate, it appears from the pleadings *and is conceded in argument, that the plaintiff can never be entitled to a sum greater than \$1,000.00*, and that at present he has paid a total in dues of only \$202.35.

"If, from the face of the pleadings, it is apparent to a legal certainty, that the plaintiff cannot recover the amount claimed or if, from the proofs, the court is satisfied to a like [fol. 205] certainty that the plaintiff never was entitled to that amount, and that his claim was therefore colorable for the purpose of conferring jurisdiction, the suit will be dis-

missed." *St. Paul Mercury Indemnity Co. v. Red Cab Co.*, 303 U. S. 283, 289; 82 L. ed. 845, 848.

It is obvious that insofar as the plaintiff seeks to recover a money judgment against the defendant Society, there is not really and substantially involved a controversy properly within the jurisdiction of this Court.

The plaintiff asks judgment further:

"(2) That the defendant officers, directors and trustees be displaced by others who will be fit and suitable and regularly elected by the members of Preferred Life Assurance Society.

"(3) That a receiver be appointed to take charge of and conserve the assets of the insurance department of said Society, the same being trust assets.

"(4) For a money judgment against each of said officers, directors and trustees in such sum, or sums, as shall be found to be justly due and owing from each of said officers, directors and trustees to the Society."

It is not alleged that the Society is insolvent, nor that its business is being operated at a loss. The contrary affirmatively appears from the face of the pleadings and is conceded. If the first item of relief prayed by the plaintiff, namely a money judgment, is granted by a Court of competent jurisdiction, and that judgment is collected, as it appears it can be, then would the plaintiff be longer interested in the defendant Society, and possibly entitled to have its officers displaced or a receiver appointed?

Although such relief is not specifically prayed, the suggestion is made in paragraph 27 of the complaint that "plaintiff is entitled to have his certificate reformed so as to be an ordinary certificate of 'whole life' insurance". If so, then plaintiff might remain interested in the insurance [fol. 206] funds of the defendant Society even after any money judgment to which he might now be entitled had been paid. But there is no claim that the plaintiff applied for or intended to take an ordinary certificate of 'whole life' insurance. The plaintiff contends that the agent of the defendant Society induced him to apply for the certificate of contingent endowment insurance by certain alleged false and fraudulent representations, that the defendant Society bound itself to maintain the division in which plaintiff held

membership at a strength of 25 members which would enhance the probability of early collection of the insurance by plaintiff as an endowment that the defendant Society has never had 25 members in any division and has no reasonable expectation of ever filling any division, and that "this entire scheme of insurance is an illegal lottery and constitutes an illegal and unlawful scheme to defraud, and that it is also a wagering contract." (See paragraph 24, subdivision b. of complaint). The truth of any or all of these contentions if established would not entitle the plaintiff to have his certificate reformed so as to be an ordinary certificate of 'whole life' insurance. It is fundamental that, "The instrument can only be reformed to conform to the parties' agreement. . . . Equity cannot make a new contract for the parties, or add new terms thereto." 53 C. J. p. 909, Sec. 5. Or, as expressed by the Ninth Circuit Court of Appeals in *Bartelme v. Merced Irrigation District*, 31 F. (2d) 10, 13:

"Power to reform instruments for fraud or mistake is universally conceded to courts of equity, but a court of equity has no power to reform a contract, so as to insert in it a provision which the contracting parties never intended it to contain. It can go no farther than to make the contract express the true intention of the parties as to its provisions. In other words, it can make the contract only what the parties intended it to be."

[fol. 207] Assuming then that the Court took jurisdiction, awarded damages to the plaintiff, and appointed a receiver what disposition should then be made of the cause?

The complaint does not pray for a liquidation or distribution of the assets of the defendant Society. "There is no occasion for a Court of equity to appoint a receiver of property of which it is asked to make no further disposition." *Gordon v. Washington*, 295 U. S. 30, 37.

It is well settled that, "A bill in equity which seeks no other relief than the appointment of a receiver will not usually be entertained." *Arcola Sugar Mills Co. vs. Burnham* (5th C. C. A.) 67 F. (2d) 981.

In a very recent case in the United States Supreme Court decided February 17, 1941, *Kelleam v. Maryland Casualty Co., et al*, No. 349, October Term, 1940, Ms., it was said: "This Court has frequently admonished that a federal court of equity should not appoint a receiver where the appoint-

ment is not a remedy auxiliary to some primary relief which is sought and which equity may appropriately grant."

Displacement of the officers of defendant Society, or reorganization of the defendant Society is not auxiliary, ancillary, or necessary to any primary relief sought by plaintiff. Without such aid, the plaintiff can recover and collect any moneys to which he may be or become entitled.

Other contentions have been elaborately argued by counsel for the respective parties, viz: whether, insofar as the complaint prays for a reorganization of the insurance department of the defendant Society, the amount in controversy is measured by the insurance assets of the Society alleged to exceed \$1,000,000.00, or by the amount of the plaintiff's claim; whether under or by analogy to District Court Rule 23 (b) the complaint should allege that the plaintiff has made efforts to secure relief through the Society, or even through the Superintendent of Insurance of the State of Alabama, or the Insurance Departments of the other States in which it does business, and which have [fol. 208] supervision of the business of the Society. The Court does not find it necessary to decide those propositions inasmuch as it is satisfied that the complaint fails to state a claim upon which relief, within the jurisdiction of the Court, can be granted.

It Is Therefore:

Ordered, adjudged and decreed by the Court that the plaintiff's complaint be dismissed without prejudice, and that the costs of this action be taxed against the plaintiff, for which execution may issue.

Done this 5th day of May, 1941.

C. B. Kennamer, Judge.

[fol. 209] IN THE DISTRICT COURT OF THE UNITED STATES,
MIDDLE DISTRICT OF ALABAMA

[Title omitted]

NOTICE OF APPEAL—Filed July 29, 1941

Notice is hereby given that James Lanier Bell, plaintiff above named, hereby appeals to the Circuit Court of Appeals for the Fifth Circuit from the Order of Honorable C. B. Kennamer, Judge of the United States District Court

for the Middle District of Alabama, dated May 5, 1941, dismissing plaintiff's complaint, and from the final judgment of dismissal entered or to be entered on said order.

R. K. Wise, 701 Liberty Life Building, Columbia, S. C.; Wise & Whaley, 701 Liberty Life Building, Columbia, S. C.; R. B. Barnes, 1029 Frank Nelson Building, Birmingham, Alabama; W. H. Brantley, Jr., 1029 Frank Nelson Building, Birmingham, Alabama; Holley, Milner & Holley, Moore Building, Wetumpka, Alabama; Ball & Ball, 719 First National Bank Bldg., Montgomery, Alabama, Attorneys for the Appellant.

Copy mailed Hill, Hill, Whiting & Rives, July 29, 1941.
Filed July 29, 1941.

[fols. 210-213] Cost Bond on Appeal for \$250.00 filed July 29, 1941, omitted in printing.

[fol. 214] IN UNITED STATES DISTRICT COURT

APPELLANT'S STATEMENT OF POINTS ON APPEAL—Filed July 31, 1941

That his Honor erred in dismissing the complaint in that:

I

It states a claim on which relief can be granted for fraud and deceit.

II

It states a claim on which relief can be granted for breach of contract accompanied by a fraudulent act.

III

It states a claim on which relief can be granted in the nature of an original action to reorganize the defendant Society.

IV

It states a claim on which relief can be granted in the nature of a derivative action against the officers and directors (trustees) for a money judgment.

All of which claims exceed \$3000.00 exclusive of interest and costs.

R. K. Wise, 701 Liberty Life Building, Columbia, S. C.; Wise & Whaley, 701 Liberty Life Building, Columbia, S. C.; R. B. Barnes, 1029 Frank Nelson Building, Birmingham, Alabama; W. H. Brantley, [fol. 215] Jr., 1029 Frank Nelson Building, Birmingham, Alabama; Holley, Milner & Holley, Moore Building, Wetumpka, Alabama; Bell & Ball, 719 First National Bank Bldg., Montgomery, Alabama, Attorneys for Appellant.

Service accepted this 30th day of July, 1941.

Hill, Hill, Whiting & Rives, Richard T. Rives, Attorneys for Appellees.

[fol. 216] Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 217] IN THE UNITED STATES DISTRICT COURT

[Title omitted]

AFFIDAVIT IN FORMA PAUPERIS OF JAMES LANIER BELL—Filed
Oct. 31, 1941

STATE OF SOUTH CAROLINA,
County of Richland:

Before me, the undersigned authority, personally appeared James Lanier Bell, known to me, who being duly sworn, deposes and says that he is the plaintiff in the above entitled action and the appellant in the appeal prayed for in said action from the judgment of this court and that he is a citizen of the United States of America and was entitled to commence the action in this case and the appeal prayed for in this case and that the appeal is taken in good faith but that because of affiant's poverty he is unable to pay the costs of printing the record on the appeal and is unable to give security for same and that he believes that he is entitled to the redress he seeks in such suit and in such appeal and that the cause of action in said suit grows out of the unlawful acts of the defendant in the operation of an insurance company in which affiant is a policyholder, and

affiant says that he is a married man and that his wife is in [fol. 218] a family way and that he is employed at the small earning of \$35.00 a week and that his job requires him to furnish an automobile and gasoline and that he had to buy an automobile on credit on which he is making monthly payments which leaves barely enough for him to live on, and that he has not funds sufficient to finance said appeal.

James Lanier Bell.

Sworn to and subscribed before me with my notarial seal affixed, on this 25th day of October, 1941. James D. Walters, Notary Public for South Carolina. My Commission expires at the pleasure of the Governor. (Seal.)

[File endorsement omitted]

[fol. 219] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

ORDER PERMITTING APPEAL IN FORMA PAUPERIS—Filed Oct. 31, 1941

Upon the application and affidavit by appellant for permission to prosecute the appeal in the above styled case to the United States Circuit Court of Appeals, Fifth Circuit, in forma pauperis, and it appearing to the Court that the appeal is taken in good faith but that because of affiant's poverty he is unable to pay the costs of the appeal and unable to give security for same, it is ordered that appellant be and is hereby permitted to prosecute said appeal in forma pauperis.

The Clerk of this Court is directed to request a withdrawal of the transcript from the Circuit Court of Appeals and to make and transmit three copies of the transcript in accordance with Rule 10, Section 2.

Done this October 31st, 1941.

C. B. Kennamer, United States District Judge.

[File endorsement omitted].

[fol. 220] IN THE DISTRICT COURT OF THE UNITED STATES

[Title omitted]

ORDER EXTENDING TIME TO FILE RECORD—Filed Dec. 8, 1941

It appearing to the Court that it will be impossible for the Clerk of the Court to finish the preparation of the transcript of this record,

It is, therefore, ordered that an additional ten days' time be allowed for the filing of the record of this case on appeal.

This the 8th day of December, 1941.

C. B. Kennamer, United States District Judge.

[fol. 221] Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 222] IN UNITED STATES CIRCUIT COURT OF APPEALS,
FIFTH CIRCUIT

No. 10119

JAMES LANIER BELL

versus

PREFERRED LIFE ASSURANCE SOCIETY OF MONTGOMERY, ALA-
BAMA, et al.

ARGUMENT AND SUBMISSION—October 20, 1942

On this day this cause was called, and, after argument by Robert T. Milner, Esq., and Fred S. Ball, Jr., Esq., for appellant, and Richard T. Rives, Esq., for appellees, was submitted to the Court.

[fol. 223] IN THE UNITED STATES CIRCUIT COURT OF AP-
PEALS FOR THE FIFTH CIRCUIT

No. 10119

JAMES LANIER BELL, Appellant,

versus

PREFERRED LIFE ASSURANCE SOCIETY OF MONTGOMERY, ALA-
BAMA, et al., Appellees

IN FORMA PAUPERIS

Appeal from the District Court of the United States for
the Middle District of Alabama

Before Hutcheson, Holmes, and McCord, Circuit Judges

OPINION—Filed November 18, 1942

HUTCHESON, Circuit Judge:

Brought by a single plaintiff, the holder of a contingent endowment insurance certificate of a maximum value of \$1000.00, against the Preferred Life Assurance Society, an insurance corporation, and its officers and agents, the suit was not brought as a class action under Rule 23(a) or (b),¹ but as a suit by plaintiff on his own behalf. The claim was; that the officers named as defendants were guilty of various frauds in the management and [fol. 224] operation of the defendant Society, among them, as to plaintiff, a fraud of misrepresentation as to the number of members in his division and as to the time his certificate would mature; that the income of the Society was large and that it was being diverted and mismanaged, the moneys going to excessive salaries and misappropriations by the officer defendants. The prayer was for a reformation of his certificate to an ordinary certificate of whole life insurance, for damages, actual and punitive, in the sum of Two Hundred Thousand Dollars (\$200,000.00), for the displacement of the officers, directors and trustees

¹ Rule 23 Federal Rules Civil Procedure, Title 28, Sec. 723(c), page 523.

of the Society, and the appointment of a receiver to take charge of the Society's assets and for a money judgment against each of the officers, directors and trustees for such sums as shall be found justly due and owing from each of the officers, directors and trustees to the Society. Jurisdiction was based on a claim of diversity and the allegation "this action is brought to reorganize the Insurance Department of the defendant Preferred Life Assurance Society, and to displace its present officers and directors and trustees and for damages. The insurance assets of Preferred Life Assurance Society exceed \$1,000,000.00, and the amount in controversy exceeds \$3000.00, exclusive of interest and costs." The defendant denied that the amount in controversy, exclusive of interest and costs, exceeds \$3000.00, and averred; that the only financial interest or claim which the plaintiff has against the defendants is represented by his contingent endowment insurance certificate upon which plaintiff has paid to the defendant an aggregate total of dues of only \$202.35; that, in no event, would plaintiff be entitled to recover from defendants a greater sum than \$1000.00; and that the claim for damages stated in the complaint is entirely colorable. In addition defendants denying, joined issue with, all plaintiff's charges of fraud and mismanagement. Depositions of certain of the officers were taken, and, the district judge of the opinion on the pleadings and the facts established by them and by the [fol. 225] depositions, that since under plaintiff's certificate, he could never have been, or be, entitled to a sum greater than \$1000.00, his claims for damages were merely colorable, and that the suit was an individual suit and not a class suit under Rule 23, dismissed the cause for want of jurisdiction.

Plaintiff, here complaining of the dismissal, rather feebly insists that his claim for \$200,000.00 damages personally sustained by him on account of his \$1000.00 certificate was not colorable. He puts his main insistence though on the ground that the suit properly understood was not an individual suit for damages sustained by himself but a suit in the nature of a derivative action by a member to enforce a claim in favor of the Society against its officers and directors for fraudulent and corrupt misappropriation of the Society's assets, wherein there is sought for the

benefit of the Society a money judgment exceeding \$3000.00, exclusive of interest and costs, and that the real matter in controversy was the value of the property of the Society and of the damage done to it and not the damage done to him on his \$1000.00 certificate.

We are in no doubt that plaintiff's claim of \$200,000.00 damages to himself on his \$1000.00 certificate was entirely colorable for the purpose of conferring jurisdiction. *St. Paul Indem. Co. v. Cab Co.*, 303 U. S. 289. The complaint contains not a single allegation of fact on which a judgment for damages claimed in excess of the value of his certificate could possibly be awarded. It is legally inconceivable that a person holding a certificate representing a claim for money which could not at the most bring him more than \$1000.00, could be entitled to a judgment for damages on account of being induced to purchase the certificate by representations that it was worth \$1000.00, when in fact it was worth less. Appellant's other point, that the suit should be considered as a class suit with the amount in controversy the value of, and the injuries to, the proper-[fol. 226] ties owned by the class, is equally without merit. For whatever might be said of plaintiff's right to bring a class suit under Rule 23, if he had elected to do so, he did not bring such a suit, and in view of the definite requirements of that rule, a court, in the absence of any attempt by plaintiff to comply with it, will not, indeed cannot, by in effect, rewriting his petition for him, convert the suit which he brought as an individual suit and on his own behalf into a class suit, on behalf of the Society. The announced purpose of the Federal Rules of Civil Procedure is to make pleadings simple and intelligible, and practice and procedure under them conducive to the speedy and sure attainment of just results, and the rules are so drawn that conformity with them will give effect to this purpose. In order to achieve the results intended by particular rules, while there should not be slavish, there should be substantial compliance with them, and a suit brought as an individual and not as a class action, without any regard to, or attempted compliance with, Rule 23, may not, in order to confer jurisdiction on the court, be construed as a class suit. The dismissal was, of course, without prejudice to the right of plaintiff to try again in the State Court or the Federal

Court, as he may be advised, and whether if he tries again he might make a case under Rule 23, is not before us for decision. What the district judge decided and what we decide is only that, as brought, as an individual suit by plaintiff on his own behalf, the amount in controversy was not within the jurisdiction of the court. The judgment was right. It is

Affirmed.

[fols. 227-228] IN UNITED STATES CIRCUIT COURT OF APPEALS

No. 10119

JAMES LANIER BELL

versus

PREFERRED LIFE ASSURANCE SOCIETY OF MONTGOMERY, ALABAMA, et al.

JUDGMENT—November 18, 1942

This cause came on to be heard on the transcript of the record from the District Court of the United States for the Middle District of Alabama, and was argued by counsel;

On consideration whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this cause be, and the same is hereby, affirmed.

Clerk's certificate to foregoing transcript omitted in printing.

[fol. 229] SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed April 19, 1943

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Fifth Circuit is granted.

And it is further ordered that the duly certified copy¹ of the transcript of the proceedings below which accompanied

the petition shall be treated as though filed in response to such writ.

Endorsed on Cover: File No. 47,250. U. S. Circuit Court of Appeals, Fifth Circuit. Term No. 749. James Lanier Bell, Petitioner, vs. Preferred Life Assurance Society of Montgomery, Alabama, et al. Petition for a writ of certiorari and exhibit thereto. Filed February 18, 1943. Term No. 749 O. T. 1942.

(6729)